straker
TRANSLATIONS

PROSPECTUS

Initial Public Offering of 14.1 million Shares at an Offer Price of AU$1.51 per Share

Straker Translations Limited (ARBN 628 707 399)

Lead Manager: BELL POTTER

Financial Adviser: blackpeak capital

Important **notices**

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Straker Translations Limited, a New Zealand incorporated company which is registered as a foreign company in Australia with ARBN 628 707 399 (**Company** or **Straker**). This Prospectus is issued by Straker and Straker SaleCo Pty Ltd (ACN 628 262 297) (**SaleCo**) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). References to the **Group** are to Straker and its subsidiaries, and in this Prospectus mean one or more of those entities.

Lodgement and listing

This Prospectus is dated 26 September 2018 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to Australian Securities Exchange (**ASX**) within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, Link Market Services Limited (**Share Registry**), and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be other risk factors in addition to the risks in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, SaleCo, the Directors of the Company and of SaleCo, the Lead Manager or any other person in connection with the Offer. You should only have regard to information contained in this Prospectus.

Financial information presentation

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The financial information for Straker in Section 4 includes information for the historical financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, and for the 12 month forecast period ending 31 March 2019.

All references to FY16, FY17, FY18 appearing in this Prospectus are to the financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively, unless otherwise indicated.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable and unless stated otherwise, consistent with the basis of preparation and presentation of the Historical Financial Information.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables and figures contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward looking statements. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company and SaleCo. The Forecast Financial Information and the forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.17, the sensitivity analysis set out in Section 4.19 and other information contained in this Prospectus.

The Directors of the Company and of SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company does not intend to update or revise forward looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, and business overview in Section 3, uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company and SaleCo have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Statements of past performance

This Prospectus includes information regarding past performance of Straker and prospective investors should be aware that past performance is not, and should not be relied upon as being indicative of future performance.

Disclaimers

Bell Potter Securities Limited has acted as Lead Manager to the Offer and Blackpeak Capital Pty Ltd has acted as Financial Adviser to the Offer. Bell Potter Securities Limited and Blackpeak Capital Pty Ltd have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of its affiliates, officers or employees. To the maximum extent permitted by law, Bell Potter Securities Limited, Blackpeak Capital Pty Ltd, PricewaterhouseCoopers, Bell Gully, BDO Corporate Finance (East Coast) Pty Limited, BDO East Coast Partnership, the Share Registry and the affiliates, officers, employees and advisers of each of the aforementioned entities expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Except as required by law, and only to the extent so required, none of the Group, SaleCo, the Directors, the SaleCo Directors, the Lead Manager, the Financial Adviser, the professional advisers of each of the aforementioned entities or any other person in connection with the Offer warrants or guarantees the future performance of the Group, or any return on any investment made pursuant to this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia and New Zealand.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the United States Securities Act and applicable US state securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia and New Zealand, please refer to Section 9.11.

Exposure Period

The Corporations Act prohibits the Company and SaleCo from processing Applications for Shares in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. Interest will not be paid on any Application Monies received or refunded. No preference will be given to Applications received during the Exposure Period.

New Zealand company

Straker is a company incorporated in New Zealand. As such it is subject to New Zealand law including the New Zealand Companies Act 1993 (**Companies Act**). Once admitted to the Official List, Straker will also be subject to the requirements of the ASX Listing Rules. There are certain differences between New Zealand law and Australian law that prospective investors in Australia should be aware of. Refer to Section 9.10 for further information.

New Zealand investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between Australian and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Prospectus availability

During the Offer period, a paper copy of this Prospectus is available free of charge to any person in Australia and New Zealand by calling the Straker IPO Information Line on 1800 828 558 (within Australia) and +61 1800 828 558 (outside Australia) from 8.30am to 5.30pm Australian Eastern Daylight Time (**AEDT**), Monday to Friday (excluding public holidays). This Prospectus is also available to persons who are Australian or New Zealand residents in electronic form at the Offer website www.strakertranslations.com/investors.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and New Zealand. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Important **notices**

Applications

Applications may be made only during the Offer period on the Broker Firm Offer Application Form or Priority Offer Application Form (whichever is relevant to you) (in general referred to as **Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.strakertranslations.com/investors. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Offer management and underwriting

The Offer is being arranged, managed and underwritten by Bell Potter Securities Limited.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and interpretation

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, all references to time in this Prospectus are to AEDT. Unless otherwise stated or implied, references to dates or years are calendar year references.

Privacy

By completing an Application Form to apply for Shares, you are providing personal information to the Company and SaleCo, through its service provider, the Share Registry, which is contracted by or on behalf of the Company to manage Applications. The Company, SaleCo, the Lead Manager and the Share Registry on behalf of the Company, may collect, hold, use and disclose that personal information in order to process your Application, provide facilities and services that you request and administer the Company. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time-to-time to inform you about other products and services offered by the Company, which it considers may be of interest to you. Your personal information may also be provided to the Company's members, agents and services providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

If an Applicant becomes a Shareholder, the Company will be required to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Group's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to their personal information that the Group, SaleCo and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory. Applicants can obtain a copy of the Group's privacy policy by visiting the Group website (at www.strakertranslations.com). By submitting an Application, you agree that the Group and the Share Registry may communicate with you in electronic form or to contact you by telephone in relation to the Offer.

Photographs, diagrams, logos and trademarks

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

This Prospectus contains certain logos and trademarks owned by third parties such as Adobe Experience Manager, WordPress and Magento. The Company has no ownership or rights in such logos or trademarks.

Company Website

The Company maintains a website at www.strakertranslations.com. Any references to documents included on the Company's website are for convenience only, and any documents or information contained in or otherwise accessible through this or a related website are not a part of this Prospectus nor incorporated herein by reference.

Investigating Accountant's Report and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act (**Financial Services Guide**). The Investigating Accountant's Report and Financial Services Guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. Alternatively, call the Straker IPO Offer Information Line on 1800 828 558 (within Australia) and + 61 1800 828 558 (outside Australia) from 8:30am to 5:30pm AEDT Monday to Friday (excluding public holidays).

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, Broker, lawyer or other professional adviser before deciding whether to invest in the Company.

This Prospectus is important and should be read in its entirety.

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Offer Statistics and **Key Dates**

Offer Statistics

Offer Price[1]	AU$1.51 per Share
Gross cash proceeds from the Offer	AU$21.2 million
Total number of New Shares offered to investors under the Offer	12.2 million
Total number of Existing Shares to be sold by SaleCo under the Offer	1.9 million
Total number of Shares on issue on Completion of the Offer	52.6 million
Market capitalisation at the Offer Price[1,2]	AU$79.4 million
Pro forma net cash on Completion of the Offer[3]	AU$17.4 million
Enterprise Value[3,4]	AU$62.0 million
Enterprise Value/pro forma forecast FY19 Revenue[4,5,6]	2.7x

Key Dates

Prospectus Date	Wednesday, 26 September 2018
Retail Offer opens	Thursday, 4 October 2018
Retail Offer closes	Thursday, 11 October 2018
Settlement of the Offer	Monday, 15 October 2018
Issue and transfer of Shares under the Offer (Completion of the Offer)	Tuesday, 16 October 2018
Expected despatch of holding statements	Wednesday, 17 October 2018
Shares expected to begin trading on the ASX on a normal settlement basis	Monday, 22 October 2018

Dates may change

The dates above are indicative only and may change without notice. The Company, SaleCo and the Lead Manager reserve the right to vary any and all of the times and dates of the Offer without prior notice (including, subject to the ASX Listing Rules, the Corporations Act and other applicable laws, to close the Offer early, extend the date the Offer closes, accept late Applications either generally or in particular cases, allot or transfer Shares at different times to investors, or to cancel the Offer before settlement). If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. No cooling-off rights apply to the Offer and accordingly any Applications received under the Offer are irrevocable and may not be varied or withdrawn expect as required by law. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares are subject to confirmation from the ASX.

Unless otherwise indicated, all times stated throughout the Prospectus are AEDT.

How to invest

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

1 Offer Price and Market Capitalisation is in AUD.
2 Market Capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares at Completion of the Offer.
3 Net cash in AUD converted from NZD based on exchange rate of 0.92.
4 Enterprise Value is equal to the market capitalisation of the Company less the expected pro forma net cash as at 31 March 2018.
5 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as pro forma for the reasons described in Section 4.
6 AUD converted from NZD based on exchange rate of 0.92.

Chairman's **Letter**

Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become a shareholder of Straker Translations Limited (**Straker** or the **Company**) (a company incorporated in New Zealand and registered as a foreign company in Australia).

Founded by Grant and Merryn Straker in 1999, Straker has established itself as a leading global technology driven translation services platform. The global market for language services (including but not limited to translation) was estimated at US$43 billion in 2017[1] and is expected to grow at an estimated CAGR of over 9% up until 2022 to US$67 billion[1]. The global translation market is supported by factors such as increasing levels of globalisation, the rapid increase in online and offline content being produced, the growth in eCommerce, the economic emergence of new markets with specific language requirements and European regulatory requirements. Typical content that is translated includes product brochures, operating manuals, legal documents and websites.

Straker provides a cloud-based 'hybrid' translation platform that uses a combination of both machine translation and human refinement to rapidly speed up language translation. The Company uses its proprietary 'RAY Translation Platform' which has been developed in house over eight years and is an enterprise grade, end-to-end cloud-based platform that allows human translators to deliver faster and more accurate translations. The platform produces a first draft machine translation using one of a number of machine translation engines and co-ordinates human refinement by one of approximately 13,000 crowd-sourced human translator freelancers, followed by a human quality review. The Company believes that its platform is amongst the most advanced of its type in the world and services a broad range of customers ranging from individuals and small businesses undertaking stand-alone transactions to large, multi-national companies which undertake ongoing programmes of work under master services agreements. In FY18 (March year end), Straker provided services for approximately 8,400 customers[2] globally with 88% of pro forma revenues sourced from outside Australia and New Zealand.

Being a cloud-based platform, Straker has the ability to capture vast amounts of translated data sets and meta data on the translation process (e.g. quality and speed of the freelance translators). As this translation memory and meta data grows with scale, so does the efficiency with which Straker and the freelance translators can operate. Unlike many of its competitors, Straker primarily charges its customers by the word but translators charge by the hour. As the efficiency of Straker's online platform increases, this advantage is reflected in improved economics. The Company has a range of ongoing growth initiatives including the integration of its platform into leading eCommerce and content management platforms and the growth of its enterprise sales and account management teams. Acquisitions are also an important part of the Company's growth. The language service provider industry is large and fragmented and Straker has an acquisition strategy based on the financial benefits of migrating acquired customer bases onto its technology platform. The Company has undertaken four acquisitions over the last two years and believes that there exists a significant potential market for future acquisitions to be made by Straker following the Offer.

Straker is offering to issue approximately 12.2 million new Shares at a price of AU$1.51 to raise AU$18.4 million. In addition, SaleCo is offering approximately 1.9 million Shares for sale at a price of AU$1.51 per Share for total consideration of approximately AU$2.8 million with the net proceeds to be paid to two Existing Shareholders that are selling a portion of their shareholding.

The funds raised by Straker will be used to provide the Company the financial flexibility to fund Straker's future growth including, but not limited to, acquisitions and other growth initiatives such as marketing and product development. In addition, the Offer is intended to provide the Company with access to capital markets, provide a liquid market for Shares and assist the Company to attract and retain quality employees.

This Prospectus contains detailed information about the Offer, the industry sectors in which Straker operates, and the historical and forecast financial position of Straker, as well as the key risks associated with an investment in the Company. These key risks are set out in Section 5 and include, among others, competition and new technologies, reliance on key personnel, risks of growth by acquisition, the need to attract and retain skilled staff, defects with products/services, the potential classification of freelance translators as employees rather than independent contractors, and that master services agreements with customers may be terminated at will and do not provide minimum revenue amounts. It is important that you read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Company.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours Sincerely,

Phil Norman

Phil Norman, *Chairman*

1 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2 Pro forma, including MSS and Eule which were acquired in FY19. Straker had approximately 8,200 customers and MSS and Eule had approximately 180 customers collectively.

Our **business** at a **glance**

Straker's cloud-based 'RAY' translation platform can deliver industry leading translation at scale.

Content In
French
+ 90 file formats

Content

- Customer uploads content
- View real time progress of projects
- User management scross the customer's organisation

de
Custom

stingRAY
Enterprise level API
- Connectors to multiple platforms e.g. Magento, WordPress, etc.

sunRAY
Translation production platform
- Fast file parsing and processing engine for file formats
- Highly efficient, frictionless project processing

lightRAY
Translation crowdsourcing platform
- 13,000+ freelance translators
- Unique per hour business model for translators

xRAY
Data analytics engine
- Millions of data points on human translators
- Large and growing corpus of language pairs

processing

Content Out

English

+ 90 file formats

eltaRAY

ner dashboard

- Invoice and payment management
- Enterprise validation and review platform
- Download links for completed translations

- 24/7 management of projects
- CRM and enterprise reporting engine
- Quoting and invoicing engine

stingRAY

ultraRAY

Translation editing workbench

- Centralised quality control
- Integration of glossaries and reserved words
- First pass translation using MT engine

hyperRAY

Machine translation (MT) engine

- Adaptive MT engine
- Bespoke MT engine integration

- Third party MT engines

section 1

INVESTMENT OVERVIEW

1.1 Introduction

Topic	Summary	For more information
Who is Straker?	Based in New Zealand and founded in 1999, Straker has established itself as a leading global technology driven translation services platform. Straker has developed a hybrid translation platform that utilises a combination of machine translation and a crowd-sourced pool of freelance translators. Straker's cloud-based platform manages the end-to-end translation process, leveraging machine translation technology (comprising both third-party owned engines and engines within Straker's platform) to create a first draft translation and subsequently matching the customer's content with one or more of the approximately 13,000 crowd-sourced human freelance translators for refinement. This process is managed using Straker's proprietary 'RAY Translation Platform' which has been developed over eight years and is an enterprise grade, end-to-end cloud-based platform. By leveraging machine translation and its big data assets, the RAY Translation Platform enables the delivery of faster and more accurate translations, lowering the time and cost to deliver versus traditional translation services. The platform can be integrated directly into customers' systems and consists of a customer dashboard, machine translation integration and modules for assisting and managing translators. Being a cloud-based platform, Straker has the ability to capture vast amounts of translated data sets and data on the quality and speed of the freelance translators which is unlike many of its competitors where the work undertaken by translators is not performed on a centralised platform. As Straker's translation data set grows, so does the efficiency with which Straker and the translators can operate. Unlike many of its competitors, Straker primarily charges its customers by the word but translators charge by the hour. As the efficiency of its platform increases, this advantage is reflected in improved economics.	Section 3.1
What industry/ sectors does Straker operate in?	Straker operates in the language services industry providing a platform for the translation of written content in both offline and online form. Typical content translated includes product brochures, operating manuals, legal documents and websites. In a report commissioned by Straker, industry research company Frost & Sullivan estimated that the global market size for all language services was US$43 billion in 2017, and is expected to grow to US$67 billion in 2022, representing an estimated CAGR of over 9%.[1] The translations segment within language services is forecast by Frost & Sullivan to represent 69% of the total industry in 2018, representing a market in excess of US$30 billion in size. Key drivers behind the growth of the industry include: ▶ the increasing level of globalisation, accompanied by the need for localisation of content; ▶ the rapid increase in content produced, both online and offline, providing an ever-increasing base of content which may require translation; ▶ the economic emergence of new markets with specific language requirements; and ▶ regulatory authorities mandating translation of content, particularly in the European Union.	Section 2.1
Why is the Offer being conducted?	The purpose of the Offer is to: ▶ provide the Company with access to capital markets which the Company expects will provide additional financial flexibility for the Company to pursue further growth opportunities, including, but not limited to, marketing, product development, acquisitions and other growth opportunities; ▶ achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; ▶ allow some investors to realise part of their investment in Straker; and ▶ assist the Company in attracting and retaining staff.	Section 7.3

1 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

1.2 Key features of Straker

Topic	Summary	For more information
How does Straker generate revenue?	Straker generates revenue from its customers for translation services. Services are primarily charged on a rate per word basis with the rate varying depending upon the language pair (a greater rate is charged for a less common language pair) and the nature of the project (for example, having regard to the level of technical language used). The Company categorises its revenue into three broad categories, being: 1. enterprise revenue provided under master services agreements; 2. revenue from repeat customers (customers who have previously placed an order with the Straker business, many of whom are enterprise in nature) that are not provided under master services agreements arrangements; and 3. transactional revenue. In FY18, approximately 83.5% of pro forma revenue was from master services agreements and repeat customers.	Section 3.4.1
Who are Straker's customers?	Straker has a diverse customer base ranging from individuals and small businesses undertaking stand-alone transactions to large, multi-national companies which undertake ongoing programmes of work under master services agreements. In FY18, Straker provided services for approximately 8,400 customers[2] globally with the largest customer accounting for 10.6% of total pro forma revenues and the top 20 customers accounting for 54.3% of total pro forma revenues. Revenue is geographically diverse with 88% of Straker's pro forma FY18 revenues sourced from outside Australia and New Zealand.[3] Straker's largest market in FY18 by revenue was UK and Europe, which contributed 46.8% of total pro forma revenue. Straker services customers across a very broad range of industries, with the major industries serviced during FY18 being financial services, health, technology, eCommerce, manufacturing and consumer goods.	Section 3.4.2
Where are the operations of Straker located?	Straker is a global business and employs approximately 120 people in five production centres in Auckland (New Zealand), Barcelona (Spain), Denver (USA), Ireland and Germany together with sales locations in ten countries across the world being Australia, New Zealand, Hong Kong, Japan, Thailand, Spain, Germany, UK, Ireland and the United States.	Section 3.1
Who are Straker's competitors?	The language services industry is highly fragmented, with the top 100 service providers estimated to account for only 15% of global industry revenue.[3] Globally, there are estimated to be over 18,500 language service providers in operation, with 65% having 10 or fewer employees[3]. Whilst many of the larger providers are US-based, Europe is home to the largest number, estimated to account for over 56% of all service providers.[4] In addition, language services may also be provided internally by organisations, using either professional in-house translators or other staff (who may be used when accuracy of translation is not critical).	Section 2.4

2 Pro forma, including MSS and Eule which were acquired in FY19. Straker had approximately 8,200 customers and MSS and Eule had approximately 180 customers collectively.

3 Pro forma, including MSS and Eule which were acquired in FY19.

4 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is the Company's growth strategy?</td><td>The Company has a number of key organic growth strategies in place to provide ongoing growth, including:
▸ winning new enterprise customers through the Company's global enterprise sales team;
▸ further integration of Straker's platform into eCommerce and content management platforms which provides the opportunity to directly market to the broad customer bases of these platforms;
▸ increasing penetration with existing customers, particularly through detailed account management structures that have recently been put in place; and
▸ ongoing growth in transactional revenue through online advertising and content marketing which has the added benefit of improving cash flow to Straker and creating a steady flow of projects or crowd-sourced translators.
Straker has also undertaken four acquisitions in the last two years and has a strategy to continue acquisition activity in the future. This strategy is based on its belief that there is a strong commercial rationale in migrating acquired company customers onto Straker's technology platform that involves:
▸ increasing the earnings margins achieved by acquired companies by migrating their customers to Straker's higher margin platform;
▸ consolidating operating costs through utilising Straker's centralised global technology and the operating infrastructure;
▸ gaining a geographical footprint in key markets with many customers still requiring local presence;
▸ gaining economies of scale in areas of importance such as data assets across language pairs, translation resources for domain subjects, key sales people and processes and global production capacity; and
▸ growing acquired customer bases through offering Straker's technology solutions.
Based on the fragmented nature of the industry, the Company believes there are many potential acquisition opportunities in the market. Whilst Straker intends to actively pursue acquisition opportunities following Listing, as at the Prospectus Date there are no binding agreements relating to any future acquisitions to be made by Straker.</td><td>Section 3.5</td></tr>
<tr><td>What is the Company's key financial information?</td><td>
<table>
<tr><th>Y/E 31 March (NZ$'000s)</th><th>Statutory historical FY16</th><th>Statutory historical FY17</th><th>Statutory historical FY18</th><th>Statutory forecast FY19</th><th>Pro forma forecast FY19</th></tr>
<tr><td>Translation revenue</td><td>10,028</td><td>11,802</td><td>17,027</td><td>23,482</td><td>24,890</td></tr>
<tr><td>Gross profit margin</td><td>6,169</td><td>6,626</td><td>9,291</td><td>13,223</td><td>13,961</td></tr>
<tr><td>Adjusted EBITDA</td><td>(805)</td><td>(1,834)</td><td>(1,426)</td><td>(199)</td><td>(527)</td></tr>
<tr><td>EBIT</td><td>(872)</td><td>(2,408)</td><td>(2,539)</td><td>(3,188)</td><td>(1,422)</td></tr>
<tr><td>NPAT (NLAT)</td><td>(769)</td><td>(2,680)</td><td>(1,524)</td><td>(2,542)</td><td>(1,176)</td></tr>
</table>
As at 31 March 2018, on a pro forma basis, Straker had cash and cash equivalents of NZ$22.4 million. See Section 4.14 for more details.</td><td>Section 4</td></tr>
<tr><td>What is the Company's dividend policy?</td><td>The Directors have no current intention to declare and pay a dividend to its Existing Shareholders or New Shareholders. It is the Directors' current intention to reinvest future available cashflows in the development of the Company's business, including to help fund potential future acquisitions to be made by the Company.</td><td>Section 4.21</td></tr>
</table>

1.3 Key strengths

Topic	Summary	For more information
Large addressable market opportunity	Straker operates in the language services industry which is estimated to have grown from US$38 billion in 2015 to US$43 billion in 2017,[5] and of which more than US$30 billion is considered by the Company to be addressable. The industry is forecast to grow to US$67 billion in 2022 at an approximate CAGR of over 9% per annum, driven by an increasing need for companies to localise content across diverse linguistic markets together with rapid increases in the production of online and offline content. Straker believes it is well placed to take advantage of this growth by virtue of its leading translation technology platform and the scalability of its business model.	Section 2.1
Industry leading platform	Straker believes that over eight years it has built a hybrid translation platform that it considers to be in advance of many of its competitors. This allows the Company to provide an enterprise grade, end-to-end cloud-based platform that integrates into customer systems and provides services it considers to be significantly more efficient than alternative providers. The online platform: ▶ utilises machine translation to complete a first draft which is available to translators via its online portal; ▶ efficiently delivers human refinements by accessing more than approximately 13,000 crowd-sourced independent contractor translators that are engaged utilising the platform's big data analytics; ▶ leverages 554 billion data points to continually enhance the machine and human translation process and deliver an enterprise-grade quality service; ▶ optimises translator workflows; and ▶ provides monitoring, reporting and quality assurance functionality to customers.	Section 3.3.4
Technology/ business model creates operating leverage	As it scales and the data it collects increases, Straker's platform allows translators to work faster, reducing supply costs and increasing Straker's margins. Unlike many of its competitors, Straker primarily charges its customers by the word but translators charge by the hour. Jobs processed through Straker's technology platform achieve 60% gross profit margins, which are approximately 10%+ above the estimated industry average,[6] due to a combination of its business model and technology platform.	Section 3.4.1
Large and diverse customer base	The strength of Straker's offering is demonstrated by the diverse customer base it has established which ranges from individuals and small businesses undertaking stand-alone transactions to large, multi-national companies which undertake ongoing programmes of work under master services agreements. In FY18[7]: ▶ Straker provided services for approximately 8,400 customers[8] globally across a broad range of industries; ▶ Straker's largest customer accounted for 10.6% of total pro forma revenue and 88% of pro forma revenue was generated outside of Australia and New Zealand; and ▶ approximately 83.5% of pro forma revenue was either through master services agreements or repeat customers (customers who have previously placed an order with the Straker business, many of whom are enterprise in nature).	Section 3.4.2

5 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

6 Based on a survey of 152 language service providers conducted in 2017 by the Association of Language Companies, the average gross profit margins of respondents varied between 38% and 50%. In FY18, jobs processed through the Straker platform (noting that not all jobs are processed through the RAY Translation Platform, being those sourced from companies acquired by Straker that have not yet been migrated) on average generated a gross profit margin of 60%.

7 Pro forma, including MSS and Eule which were acquired in FY19.

8 Pro forma, including MSS and Eule which were acquired in FY19. Straker had approximately 8,200 customers and MSS and Eule had approximately 180 customers collectively.

Topic	Summary	For more information
Multiple growth drivers	Straker has a range of organic and inorganic growth strategies in place to take advantage of the scalable business model it has established and it has a track record of organic growth and acquisitions. The Company has an acquisition strategy based on the financial benefits of migrating acquired customer bases onto its own technology platform. This has been demonstrated in the first two acquisitions it undertook. Straker believes that acquisitions are a significant growth opportunity for Straker given the highly fragmented nature of the language services industry and intends to actively pursue potential acquisition opportunities in the market in the future. The Company has also recently grown its enterprise sales capability and continues to optimise its marketing and account management processes.	Section 3.5
Strong revenue growth	Straker has demonstrated solid revenue growth while investing in its platform, with a 36.9% revenue CAGR from FY13 to FY18 (on a statutory basis). Organic growth during this period was 22.6% CAGR.	Section 4
Experienced management team and investment in resources for global growth	The Company has a long standing, highly experienced management team which includes co-founders Grant and Merryn Straker. As Managing Director, Grant Straker has assembled, and is supported by, an experienced leadership team that has been with the business for a significant period of time and knows the business and industry well. Straker has also assembled a strong Board led by its Chairman, Phil Norman, which provides complementary skill sets to the management team. The management team will hold 8,600,920 Shares (16.4% of the Company following Completion of the Offer) ensuring alignment of the management team's interests with that of other investors.	Section 6.1

1.4 Key risks for the Company

There are a number of potential risks associated with the Group and the industry in which it operates, which may impact its financial performance. Some of the risks are summarised below and are described in more detail in Section 5.

Topic	Summary	For more information
Competition and new technologies	Straker competes against other language service providers and it faces the risk that one or more of its competitors, or a new entrant to the market, will increase its competitive position through aggressive marketing campaigns, product innovation, price discounting, acquisitions or through advances in technology.	Section 5.2.1
Reliance on key personnel	Straker relies heavily on its existing key personnel and the departure of key personnel could negatively affect Straker's ability to reach its goals.	Section 5.2.2
Need to attract and retain skilled staff	Straker is reliant upon staff with specialist skills in order to maintain and develop its products and services. There is a risk that Straker may not be able to attract and retain skilled staff or find effective replacements for them in a timely or cost effective manner.	Section 5.2.3

Topic	Summary	For more information
Risks of growth by acquisition	Future expansion by acquisition may be affected by factors beyond Straker's control (including, without limitation, commercial or regulatory changes), which may result in there being limited or unsuitable acquisition opportunities at the relevant time. Whilst Straker intends to actively pursue acquisition opportunities following Listing, as at the Prospectus Date there are no binding agreements relating to any future acquisitions to be made by Straker. There can be no assurance that suitable future acquisition opportunities will arise or if they do arise that they will be able to be made on acceptable terms and able to be completed and integrated successfully with Straker.	Section 5.2.4
Loss of a key customer or a reduction in the work that Straker receives	Straker is exposed to the loss of a key customer or if a customer reduces the amount of work that Straker receives. In FY18, Straker's largest customer accounted for 10.6% of total pro forma revenue and the top 20 customers accounted for 54.3% of total pro forma revenues[9]. Some of the revenue generated by Straker is project-related which can lead to volatility in revenue if the Company is not able to replace revenue from projects that have ended.	Section 5.2.5
Inability to attract new customers	Straker is also reliant upon attracting new customers to achieve its stated growth objectives. There is a risk that one or more of Straker's competitors, or a new entrant to the market, will increase their competitive position, or companies that require translation services develop in-house translation processes rather than using external translation products and services.	Section 5.2.6
Master services agreements with customers may be terminated at will and do not provide minimum revenue amounts	Straker's master services agreements expose Straker to the risk that its customers may terminate their master services agreement on short notice or reduce the usage of products and services under the agreement.	Section 5.2.7
Defect with products/services	Straker's customers are reliant on the performance of its products and services. If Straker experiences a defect with its products and/or services, Straker could suffer customer and revenue loss, material harm to its reputation and/or significant expenditure to restore functionality.	Section 5.2.8
Attracting translators	Straker utilises both machine translation and a crowd-sourced pool of independent contractor translators, and if Straker fails to attract and engage freelance translators, it will not be able to deliver translation services to its customers. There is also a risk that one or more of Straker's competitors, or a new entrant to the market, will increase their competitive position, or develop in-house translation processes rather than using external translation products and services.	Section 5.2.9
Success of sales and marketing strategy	Straker's future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Promoting awareness of Straker's services is critical to Straker's success as a translation services platform. Straker expects that sales and marketing investment will continue to increase as the business grows. Straker may not however receive benefits from these investments for several years or may not receive benefits from these investments at all.	Section 5.2.10
Data loss, theft or corruption	Straker's business could be materially disrupted by data breaches which may impact the security of a customer's information/data. Such breaches may cause material harm to Straker's reputation and operations, and its ability to attract and retain customers. While Straker undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate.	Section 5.2.11

1

9. Pro forma, including MSS and Eule which were acquired in FY19.

Topic	Summary	For more information
Impact of privacy laws and regulations	Straker is subject to various privacy laws and regulations in the countries in which it operates including the EU General Data Protection Regulation (the **GDPR**). In addition to harming Straker's reputation, any systems failure or compromise of security that results in the unauthorised access to or release of customers' data could result in the payment of significant fines by Straker to regulatory bodies. Existing and proposed foreign data protection, privacy and other laws and regulations internationally, such as the existing GDPR, can be costly to comply with which could increase costs, require management attention and/or require changes to the way Straker's products function.	Section 5.2.12
Failure to realise benefits from product development costs	An important part of Straker's business strategy is to continue to make investments in innovation to maintain its competitive position. Straker may not, however, receive significant revenues from these investments for several years or may not realise such benefits at all.	Section 5.2.13
General IT infrastructure/ platform-related risks	There is a risk that Straker's technology platforms may be adversely affected by disruption, failure, service outages or data corruption caused by events outside of Straker's control, and may lead to business disruption and delay in completion of work for customers. There is also a risk that Straker's potential growth may be constrained by a lack of scalability of the IT infrastructure.	Section 5.2.14
Use of contractors for translator pool	There is a risk that one or more courts or regulatory authorities around the world determines that the freelance translators are employees of Straker, rather than independent contractors. In such event, Straker might incur significant costs, including (but not limited to) possible regulatory fines and taxes.	Section 5.2.15
Loss making operation and sufficiency of funding	As at the date of the Prospectus, the Company is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The Company has limited financial resources and may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and meet its other longer term objectives.	Section 5.2.19
Foreign exchange risk	The financial statements are presented in New Zealand dollars. More than 90% of Straker's revenue is denominated in other currencies, most notably US dollars and Euros. As a result, Straker's revenues are sensitive to movements in the exchange rate between US dollars, Euros and New Zealand dollars. Some of Straker's operating costs are denominated in other currencies, most notably US dollars and Euros, which provides some protection. A sensitivity analysis is set out in Section 4.19.	Section 5.2.20
Other risks	A number of other key risks relating specifically to an investment in the Company are outlined in Section 5.2, including risks related to infringement of intellectual property rights, country/region specific risks in new and/or unfamiliar markets and fraud risk. There is also a number of risks relating generally to an investment in the Shares that are included in Section 5.3.	Section 5

1.5 Directors and Management

Topic	Name	For more information
Who are the Directors of the Company?	▶ Phil Norman (Independent Non-Executive Chairman) ▶ Grant Straker (Managing Director) ▶ Tim Williams (Independent Non-Executive Director) ▶ Katrina Johnson (Independent Non-Executive Director) ▶ Steve Donovan (Non-Executive Director) ▶ Paul Wilson (Non-Executive Director)	Section 6.1
Who are the key management of the Company?	▶ Grant Straker (Managing Director) ▶ David Sowerby (Chief Revenue Officer) ▶ Haydn Marks (Chief Financial Officer) ▶ Indy Nagpal (Chief Technology Officer) ▶ Merryn Straker (Chief Operating Officer) ▶ Kim Andrews (Chief People Officer)	Section 6.1

1.6 Significant interests of key Shareholders and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will their interest in the Company be at Completion of the Offer?	See table below	Section 7.5

Holder	Shares held immediately prior to the Offer	Shares held immediately prior to the Offer (%)	Shares held following Completion of the Offer	Shares held at Completion of the Offer (%)
Grant Straker, Merryn Straker and Angelina Hunter	7,329,380	18.1%	7,329,380	13.9%
Other senior management	1,271,540	3.1%	1,271,540	2.4%
Non-Executive Directors*	2,538,520	6.3%	2,538,520	4.8%
Bailador Technology Investments Limited	8,226,890	20.4%	7,404,201	14.1%
Other Existing Shareholders	21,041,110	52.1%	19,992,110	38.0%
New Shareholders	0	0.0%	14,057,119	26.7%
Total	**40,407,440**	**100.0%**	**52,592,870**	**100.0%**

* Note that 125,790 of the total Shares held by Steve Donovan are held by him as an independent trustee of a trust of which he is not a beneficiary.

Note: The number of Shares and percentage shareholdings may change if any of these Existing Shareholders participate in the Offer.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer?</td><td>
Immediately prior to Completion of the Offer, the number of Shares held by the Directors, or in which the Directors have an interest, is expected to be as follows:
<table>
<tr><th>Name</th><th>Number of Shares</th><th>% of total Shares</th></tr>
<tr><td>Phil Norman</td><td>0</td><td>0.00%</td></tr>
<tr><td>Grant Straker</td><td>7,329,380</td><td>13.94%</td></tr>
<tr><td>Tim Williams</td><td>114,760</td><td>0.22%</td></tr>
<tr><td>Katrina Johnson</td><td>0</td><td>0.00%</td></tr>
<tr><td>Steve Donovan*</td><td>2,423,760</td><td>4.61%</td></tr>
<tr><td>Paul Wilson**</td><td>0</td><td>0.00%</td></tr>
</table>
* Note that 125,790 of the total Shares held by Steve Donovan are held by him as an independent trustee of a trust of which he is not a beneficiary.
** Note that Paul Wilson, a Non-Executive Director of Straker, is a co-founder, Executive Director and shareholder of Bailador Technology Investments Limited.

Directors may also participate in the Offer, in which case their shareholdings as set out above will increase.
Details of options held by Directors are set out in Section 6.2.2.3.
Directors and senior management are entitled to remuneration and fees on commercial terms as described in Section 6.2.2.
</td><td>Section 6.2.2.4</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal following Completion of the Offer?</td><td>
Some of the Shares held on Completion of the Offer by certain Existing Shareholders will be subject to voluntary escrow arrangements as set out below:
<table>
<tr><th>Name</th><th>Number of Shares</th><th>Escrow Period</th></tr>
<tr><td>Grant Straker, Merryn Straker and Angelina Hunter</td><td>3,664,690</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td></td><td>3,664,690</td><td>Until the release to ASX of the Company's half year FY21 financial results</td></tr>
<tr><td>Other senior management</td><td>1,271,540</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Tim Williams</td><td>114,760</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Steve Donovan</td><td>2,297,970</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Bailador Technology Investments Limited</td><td>1,645,378</td><td>Until the release to ASX of the Company's full year FY19 financial results</td></tr>
<tr><td></td><td>5,758,823</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Tea Custodians (Milford) Limited</td><td>1,049,000</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Blackpeak Capital Pty Ltd</td><td>80,360</td><td>Until the release to ASX of the Company's half year FY20 financial results</td></tr>
<tr><td>Other Existing Shareholders</td><td>8,134,910</td><td>Until the release to ASX of the Company's full year FY19 financial results</td></tr>
</table>
</td><td>Section 7.6</td></tr>
</table>

Topic	Summary	For more information
What related party arrangements are in place?	Over the previous three years, Steve Donovan (a non-executive Director of Straker) has provided professional acquisition negotiation services to the Company in relation to each of Straker's four acquisitions of Eurotext, Elanex, MSS and Eule under an undocumented arm's length arrangement for the payment of professional fees. It is intended that shareholders of Bailador Technology Investments Limited (a major shareholder of Straker) as at the Bailador Record Date will be offered Shares under the Priority Offer with an aggregate total pool of up to AU$1 million worth of Shares, to be offered at the Offer Price. However, as far as the Company is aware, the shareholders of Bailador Technology Investments Limited (other than Paul Wilson) are not related parties of Straker.	Section 6.5

1.7 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an invitation to apply for 14.1 million Shares that will in part be issued by Straker and in part be sold by SaleCo at AU$1.51 per Share. The Offer is expected to raise approximately AU$18.4 million for Straker through the issue of Shares by Straker, before deducting costs. The proceeds of sale of Shares by SaleCo to investors (which is intended to amount to AU$2.8 million before costs) will be paid to the Selling Shareholders as payment for the sale of those Shares. The Offer comprises the Broker Firm Offer, the Priority Offer and the Institutional Offer. The Shares being offered to New Shareholders under the Offer will represent approximately 26.7% of the Shares on issue at Completion of the Offer. The free float will be approximately 47.4% of the Shares on issue on Completion of the Offer.	Section 7.1
Who are the issuers of this Prospectus?	Straker Translations Limited and Straker SaleCo Pty Limited (ACN 628 262 297). Straker Translations Limited was incorporated on 21 December 1999 in New Zealand with New Zealand Company Number 942 903 739 6718 and registered as a foreign company in Australia under Part 5B.2 of the Corporations Act on 10 September 2018 with ARBN 628 707 399.	Sections 9.1 and 9.3
What is SaleCo?	Straker SaleCo Pty Limited is a special purpose vehicle established to enable the Selling Shareholders to sell their investment in Straker on Completion of the Offer.	Section 9.3
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows:	Section 7.4

Use of Funds	AU$ million	% of Offer proceeds
Payment of cash proceeds to Selling Shareholders	2.8	13.3%
Investment in sales & marketing, investment in product development, general corporate purposes and customer acquisition, including potential additional acquisitions	13.5	63.6%
Payment of costs of the Offer	3.1	14.4%
Working capital	1.8	8.7%
Total uses	**21.2**	**100.0%**

Topic	Summary	For more information
What will happen on Completion of the Offer?	On Completion of the Offer, Straker will issue Shares and SaleCo will sell Shares to investors under the Offer. SaleCo will acquire the Shares it offers for sale from the Selling Shareholders prior to Completion.	
How is the Offer structured and who is eligible to participate in the Offer?	The Offer comprises: ▶ the Retail Offer, consisting of the: – Broker Firm Offer; and – Priority Offer; and ▶ the Institutional Offer. No general public offer of Shares will be made under the Offer.	Section 7.2
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.	Section 7.1
Will the Shares be quoted on ASX?	Straker will apply to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code 'STG' within 7 days after the Prospectus Date. It is anticipated that quotation will initially be on a normal settlement basis. Completion of the Offer is conditional on ASX approving that application. If approval is not given within three months after such an application is made, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.16
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by agreement between the Lead Manager and the Company having regard to the allocation policies outlined in Section 7.7. The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in agreement with the Company. The allocation of Shares among Applicants in the Priority Offer will be determined by the Company in consultation with the Lead Manager. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among their retail clients.	Section 7.7
Is there any brokerage, commissions or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer.	Section 7.7
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Sections 9.7 and 9.8. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Sections 9.7 and 9.8

Topic	Summary	For more information
How can I apply for Shares?	**Broker Firm Offer Applicants** Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer. **Priority Offer Applicants** Applicants under the Priority Offer must apply on-line in accordance with the instructions provided in their Priority Offer invitation made under this Prospectus. **Institutional Offer Applicants** The Lead Manager has separately advised Institutional Investors of the application procedure under the Institutional Offer. Any Applications received under the Broker Firm Offer, Priority Offer or the Institutional Offer are irrevocable and may not be varied or withdrawn except as required by law or at the sole discretion of the Company.	Section 7.7
What is the minimum Application size?	The minimum Application size under the Broker Firm Offer and Priority Offer is AU$2,000 of Shares in aggregate.	Section 7.7
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around 17 October 2018.	Section 7.7
Can the Offer be withdrawn by the Company?	The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 7.15
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Straker Translations IPO Offer Information Line on: ▶ within Australia 1800 828 558; or ▶ outside Australia: + 61 1800 828 558, from 8.30am to 5.30pm (AEDT), Monday to Friday (excluding public holidays). If you have any questions about whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser before deciding whether or not to invest.	Section 7.7

section 2

INDUSTRY OVERVIEW

2.1 Introduction and background

Straker operates in the language services industry providing a translation platform for the provision of written content in both offline and online form. Typical content that requires translation includes product brochures, operating manuals, legal documents and websites. Language services providers may also offer ancillary services such as content management, analytics and project management.

Traditionally, the industry has relied on the largely manual efforts of individual interpreters and translators. However, the use of technology platforms that can make delivery of language services more productive is increasingly disrupting the industry. Technology platforms are becoming more widely used in the provision of language services for written content, but currently are rarely accurate enough to provide an acceptable business quality translation. Technology is therefore mainly deployed in conjunction with manual translation services (a hybrid solution) and can improve the productivity and efficiency of manual translation. However, a significant portion of translation services are still delivered on a completely manual basis.

Straker uses a proprietary, cloud-based platform which utilises both machine translation and a crowd-sourced pool of independent contractor translators to deliver translation work for its customers. This hybrid approach incorporating machine translation and human refinement is performed primarily within the Straker platform and allows the human translators to work faster than translating a document without any machine translation assistance.

In a report commissioned by Straker, industry research company Frost & Sullivan estimates the global market size for all language services to be US$43 billion in 2017, US$50 billion in 2018, and is expected to grow to US$67 billion in 2022 representing an estimated CAGR of over 9% between 2017 and 2022. The translations segment within language services is forecast to be 69% of the total in 2018, representing a market in excess of US$30 billion in size[1].

According to Frost & Sullivan, the geographical focus of the industry has traditionally been on service providers and clients in North America and Western Europe, but increasingly service providers and clients in Asia Pacific are becoming more prominent in the global market. This trend reflects the strong economic growth in these regions, and particularly the economic growth of populous countries with specific language requirements, such as Vietnam and Indonesia.

In terms of service segments, the industry is dominated by written content translation and transcreation[2], followed by interpreting, which cumulatively account for around 84% of industry revenue. The main industry segments are:

- Translation and transcreation (69% of industry revenue);
- Interpreting (15%);
- Localisation services (such as adapting products, software and apps to local conditions) (9%); and
- Other services (such as transcription, dubbing, sub-titling, language training, etc.) (7%).

2.2 Key drivers

Industry research company Frost & Sullivan has identified a number of factors that have driven the growth of the language services industry in recent years and are expected to contribute to the ongoing growth in the sector.

2.2.1 Globalisation

The main industry driver for language services is the increasing level of globalisation, accompanied by the need for localisation. Companies and organisations increasingly wish to expand the range of their activities geographically, whilst at the same time localising their activities to address the needs of individuals in diverse linguistic markets. Globally, there are over 400 languages spoken by more than 1 million people, and 23 languages have at least 50 million native speakers[1]. Hence, for organisations and companies wishing to communicate with individuals in their main language, there is a need to communicate in a wide range of languages.

1 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2 Transcreation does not offer a literal translation but involves conversion of a message from one language to another, while maintaining its intent, style, tone and context. The phrase has historically been used by advertising and marketing professionals looking to transfer the meaning of a message into a new language without losing intended meaning.

Table 2.1: Languages with over 50 million first language speakers

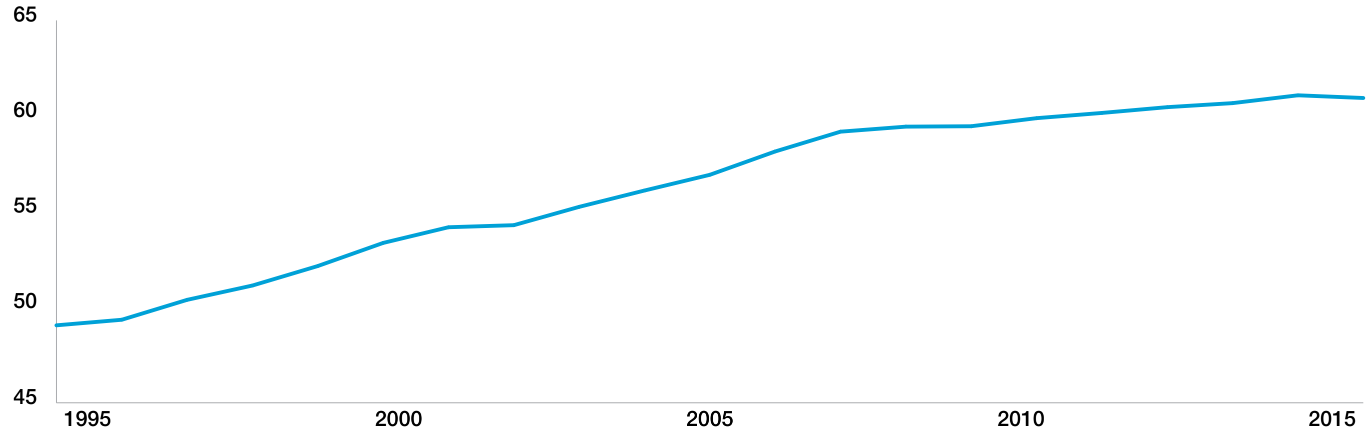
Language	Speakers	Language	Speakers	Language	Speakers
Chinese	1.3 bn	Japanese	128 m	Marathi	72 m
Spanish	442 m	Lahnda	119 m	Urdu	69 m
English	378 m	Javanese	84 m	Vietnamese	68 m
Arabic	315 m	Turkish	78 m	Tamil	67 m
Hindi	260 m	Korean	77 m	Italian	65 m
Bengali	243 m	French	77 m	Persian	61 m
Portuguese	223 m	German	76 m	Malay	61 m
Russian	154 m	Telugu	75 m		

Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

The increase in globalisation is illustrated by indices such as the KOF Globalisation Index, a composite index measuring globalisation for every country in the world along economic, social and political dimensions. The index ranks each country along a series of weighted factors under the broad headings of economic globalisation, social globalisation and political globalisation. Each broad heading includes a number of measurable sub-factors.[3]

This index has been steadily increasing over the 20 year period to 2015.[3]

Figure 2.1: KOF Globalisation Index, 1995 to 2015



Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

2.2.2 Increasing volume of online and offline content

A second major driver for language services is the rapid increase in content produced, both online and offline, providing an ever-increasing base of content which may require translation.

In online content, global IP traffic is forecast to nearly treble from 2016 to 2021, from 96 to 278 exabytes per month, particularly driven by the amount of data consumed on mobile devices such as smartphones[3]. This is primarily stimulated by the rapid growth in the number of individuals using the internet, which by 2017 reached 3.6 billion, up from just over 1 billion in 2005 and now representing 48% of the global population.[3]

3 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

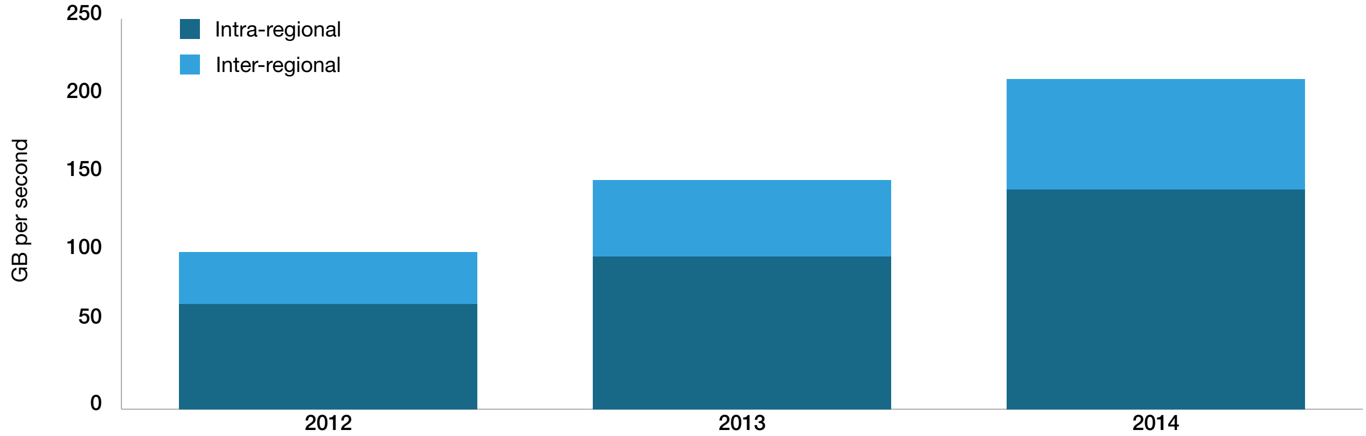
2.2.3 eCommerce

A major factor behind the growth of internet traffic is the rapid growth in eCommerce, with total eCommerce buyers globally forecast to reach 1.62 billion in 2018, up from 1.1 billion in 2013.[4] For eCommerce vendors, providing access to customers in their native language is considered critical for sales. For example, a consumer survey undertaken by an eCommerce platform for large and growing online stores and brands estimated that 75% of eCommerce buyers want to buy in their native language, 59% rarely or never buy from English-only sites and 67% prefer navigation and content in their native language.[4]

As well as an increasing number of companies using eCommerce to sell products and services, there is also growth in the use of the digital channels by companies and organisations to communicate and market. This is also driving the generation of online content, with increased requirements for localisation of this content.

An increasing volume of online content is being consumed in different countries from where it was generated. In only two years from 2012 to 2014 the volume of cross-border bandwidth used more than doubled.[4]

Figure 2.2: Cross-border bandwidth used, 2012 to 2014



Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

As online content is increasingly consumed cross-border, there is a growing demand for localisation of that content, particularly for marketing and sales-related activities.

Figure 2.3: Percentage of US enterprises that localise online content for overseas markets, by type, 2016

Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

4 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2.2.4 Emergence of new markets with specific language requirements

The economic emergence of new markets with specific language requirements is also stimulating demand for language services, as global companies start to focus on these markets. Examples are Indonesia (267 million population[5] and economic growth estimated at 5-6% annually over the next 5 years[5]) and Vietnam (96 million population and estimated economic growth of over 6% annually)[5]. Almost 84 million Indonesians speak Javanese as their first language[5] and there are around 68 million speakers of Vietnamese as a first language.[5]

2.2.5 Regulatory requirements for translations

Demand for language services is also being driven by regulations requiring translations, particularly in the European Union (**EU**). Currently the EU consists of 28 member states (which will reduce to 27 on the departure of the UK), with 24 official languages. EU citizens have a legal right to communicate with EU institutions in their native language, including the right to access documents and legal texts. All EU laws, treaties, secondary legislation, regulations and directives are translated into 24 languages. If a legal text is written in one language, it needs to be translated into the 23 other official languages.[5]

In addition to the regulatory requirements for EU texts, EU directives place requirements on organisations seeking to sell products into the EU to provide instructions in the native language of the country in which it is selling, driving a need to provide instructions in up to 24 languages. For example, the EU Machinery Directive (2009) requires "All machinery must be accompanied by instructions in the Official Community language or languages of the Member State in which it is placed on the market and/or put into service. The instructions accompanying the machinery must be either 'Original instructions' or a 'Translation of the original instructions', in which case the translation must be accompanied by the original instructions".[5] Similar requirements exist for other product types, for example those covered by the Low Voltage Directive (2014) and the Radio Equipment Directive (2014).

2.3 Use of technology in language services

2.3.1 Hybrid translation

Use of technology to automate the delivery of language services is becoming increasingly common, allowing improvements to the productivity and efficiency of what was previously a largely manual activity. The growing use of artificial intelligence and machine learning in providing translation services is enabling greater efficiency in translation delivery. However, these technologies have not evolved anywhere close to the point where fully automated translation can be widely used. Fully automated translation is estimated to account for only 1-2% of industry revenue.[5]

Technology platforms are therefore generally used to provide "hybrid translation", where an initial draft of the translation is undertaken by machine, followed by review and editing by a human translator. As machine learning improves the quality of the initial draft, the amount of review and editing required by human translators declines, increasing the efficiency and productivity of the translation process. Additionally, the growth in the number of translations between less common source and target languages makes hybrid translation increasingly feasible in these cases.

The principal translation technology platforms include:

- commercially-available third-party software;
- proprietary platforms developed by language service providers; and
- free applications embedded in devices such as smartphones.

Several language service providers also make their technology available to third-parties, deriving revenue from technology sales as well as through provision of language services. Globally, the market for translation software is forecast to reach US$7 billion by 2019.[5]

5 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2.3.2 Technology types

Traditionally, machine translation platforms used rules for converting text from one written language to another. The rules could be lexical, syntactic or semantic and were often developed by linguists, an approach known as rule-based machine translation (**RBMT**). The main disadvantage of RBMT has been the expertise required developing rules, and the vast amount of rule exceptions required.[6]

Hence, an alternative approach known as statistical machine translation (**SMT**) has become more prevalent. SMT uses predictive algorithms generated from parallel bilingual text pairs creating the most probable output, based on different bilingual examples. The larger the translated data sets of examples, the more accurate the translation can become.[6] SMT has the main advantage of automation, and SMT-based platforms see improved accuracy as their collection of examples increases, although they can be of more limited use in translation of obscure languages where limited content exists.[6]

An emerging technology is neural machine translation (**NMT**), which uses deep learning to translate texts and is proving to be more accurate than SMT platforms, as it utilises an artificial neural network to predict outcomes.[6] As with SMT, NMT requires access to a collection of texts or training data, and accuracy improves as the amount of translated data sets increases.

2.3.3 Use of technology platforms by language service providers

Use of technology platforms in delivering language services is widespread amongst language service providers. All language service providers surveyed by The Association of Language Companies are using some form of software platform to deliver services, including computer-aided translation, translation memory management, and other translation tools.[6] The most common platform in use is SDL Trados Studio, a translation platform including machine translation, translation memory and project management modules that claims to be used by over 250,000 translation professionals globally.[6] Other commonly-used commercial platforms include MemoQ, Wordfast and MemSource. Straker uses a proprietary technology platform developed over eight years as well as some third-party owned platforms to deliver language services.

2.4 Competitive landscape

2.4.1 Overview

The language services industry is highly fragmented, with the top 100 service providers estimated to account for only 15% of global industry revenue.[6] Globally, there are estimated to be over 18,500 language service providers in operation, with 65% having 10 or fewer employees. Whilst many of the larger providers are US-based, Europe is home to the largest number, accounting for over 56% of all service providers.[6]

Language services may be delivered internally by organisations, using either professional in-house translators or other staff (who may be used when accuracy of translation is not critical). The extent of in-house language services is impossible to estimate, although there is a trend for many organisations to increasingly outsource translation work. For example, the proportion of translations outsourced by the EU has increased significantly in recent years.[6]

The number of professional translators and interpreters was estimated by the EU at around 333,000 globally in 2012, of which around 78% were freelancers and the balance part-time or full-time employees.[6] Recognising that employed translators will also include a significant number of employees of language service providers, then the proportion of professional translators employed "in-house" by non-language services providers is unlikely to exceed 10% of the total number of translators and interpreters.[6] This indicates that the vast majority of professionally delivered language services are outsourced.

2.4.2 Main industry participants

The top 10 language service providers by estimated revenue are listed below. The largest providers are generally US based, including several service providers focused on providing services to the US Government. The estimated revenues of these companies in 2017 ranged from US$170 million to US$615 million[7].

6 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.
7 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker and Common Sense Advisory Top 100 Language Service Providers: 2018.

Table 2.2: Leading language services providers, 2017

Company	Headquarters	Ownership	Comments
TransPerfect	USA	Private	Provides language and technology services for global businesses. 4,600 employees in 90 offices
Lionbridge	USA	Private (acquired by Blackstone, 2017)	Provides translation, online marketing, global content and testing solutions. Almost 6,000 employees worldwide
Mission Essential Personnel	USA	Private	Provides language and cultural advisory services, intelligence analysis and operations support, intelligence, surveillance and reconnaissance solutions and technology, and cyberspace superiority primarily to the US government
Global Linguist Solutions	USA	Private	Provides interpreting and translation services to military organisations, government agencies, and commercial companies
LanguageLine Solutions	USA	Subsidiary of Paris-listed Teleperformance (outsourced customer management provider). Acquired 2016	Provides interpretation and translation services to help organisations serve their limited english proficient and deaf and hard-of-hearing communities
SDL	UK	Public (London Stock Exchange)	Provides language services, language technology and content management technology
RWS	UK	Public (London Stock Exchange)	Provides translation and interpreting services for a range of industries, including divisions focused on patent translation and Life Sciences translation
SDI Media	USA	Private (acquired by Japanese consortium in 2015)	Provides media localisation services, offering dubbing, subtitling, and media services
Welocalize	USA	Private	Delivers content solutions for translation, localisation, adaptation, and machine intelligence
Keywords Studios	Ireland	Public (London Stock Exchange)	Provides a range of services to leading video game developers and publishers, including localisation services

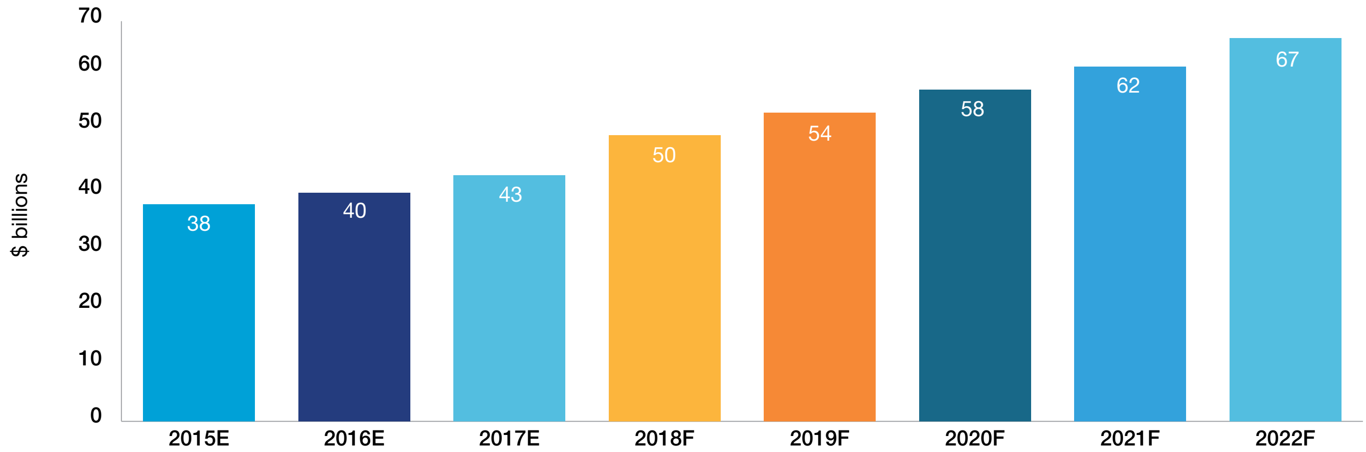
Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2.5 Size and growth

2.5.1 Size and growth of the language services market

Globally, the language services market (equating to revenue for language services providers) is estimated to have reached US$43 billion in 2017, an increase from US$38 billion in 2015, and is estimated to increase to US$67 billion in 2022, representing an approximate CAGR of over 9%.[8] This is around three times the forecast rate of global GDP growth,[8] and reflects the growth drivers that are stimulating demand for language services.

Figure 2.4: Language services market size, global, 2015 to 2022



Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

2.5.2 The translator pool

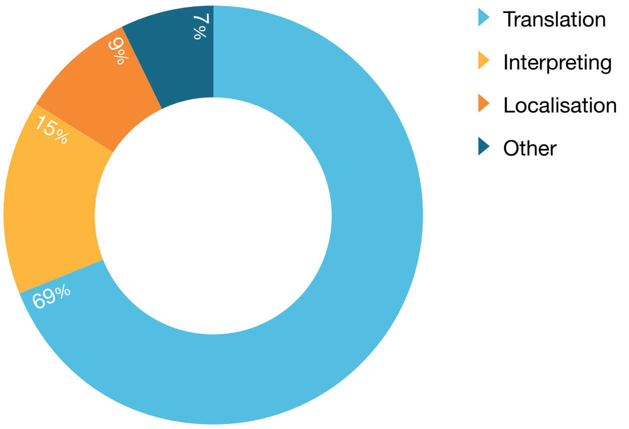
Use of freelance translators and interpreters as independent contractors rather than employees is a common feature of the delivery of language services. On average, based on a survey by The Association of Language Companies, over 80% of language service providers use external linguists. Those in the USA on average used 327 language contractors in 2016, and those outside the USA 248.[8] An estimate by the European Commission in 2012 indicated that 78% of translators work as freelancers. The same study estimated that globally there were about 333,000 individuals working as translators and interpreters in 2012.[8] Hence the global pool of freelance translators was estimated at approximately 260,000.

8 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

2.5.3 Market size by segment and available market

Translation services are estimated to represent 69% of expenditure on language services, followed by interpreting at 15%. The balance is comprised of localisation and other services.

Figure 2.5: Language services market by service segment, 2018



Source: Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker

With a focus on translation services, the total available global market for Straker is estimated to be in excess of US$30 billion in 2018.[9]

2.5.4 Competitive dynamics

While there are limited barriers to entry for a localised language service provider, Straker believes that there are a number of challenges for those wishing to compete in the global language services industry for enterprise customers. These include:

- **Technology investment:** New competitors need to invest in third party technology platforms or develop their own in order to provide a service to compete with existing language service providers. Access to eCommerce customers could also require investment in technology to allow integration with the major publishing platforms used by eCommerce vendors.
- **Access to translators:** Translation by humans remains a key element of the global translations market given the limited ability of machine translation to perform translation work to the standard required by enterprise customers. Any new entrant to the translation industry would either need to invest capital in building their own in-house translation personnel or develop relationships with suitably qualified freelance translators. The latter would also require establishing processes and procedures for engaging and managing the interaction with the freelance translators.
- **Establishment of global capability:** In order to secure translation work from multi-national customers, a new entrant would need to establish service and support capabilities in different geographic locations. This is necessary to provide 24/7 support to global enterprise customers as well as to ensure timely delivery of translation work which is often performed to tight timelines – a key buying criteria.
- **Reputation and brand:** A new entrant would need to invest resources in sales and marketing in order to establish a profile with enterprise customers. Even then, displacing language service providers from long-standing customer relationships is often difficult due to the inherent trust that is built up over time, and the risk of switching to a new provider.
- **Data:** A large collection of language data improves the quality of machine translation and ultimately increases the speed of translations. As this data asset grows it becomes an ever-increasing source of competitive advantage and barrier to entry for new entrants.

9 Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.

section 3

COMPANY OVERVIEW

3.1 Introduction to Straker

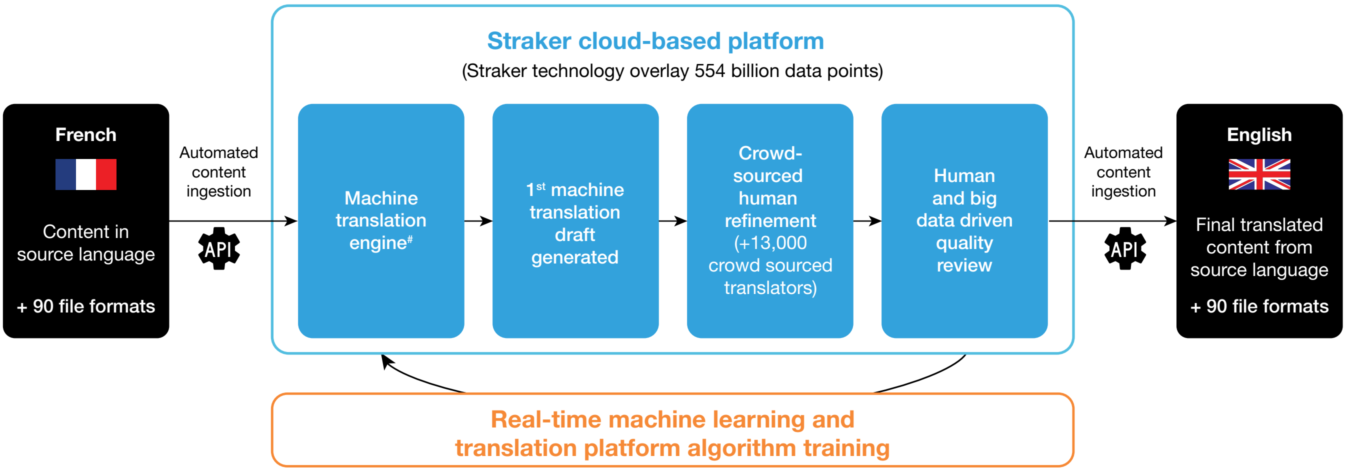
Based in New Zealand and founded in 1999, Straker has established itself as a leading global translation services platform. Straker has developed a hybrid translation platform that utilises a combination of machine translation and a crowd-sourced pool of freelance translators.

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

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

Being a cloud-based platform, Straker has the ability to capture vast amounts of translated data sets and data on the quality and speed of the translators which is unlike many of its competitors where the work undertaken by translators is not performed on a centralised platform. As Straker's translation data set grows, so does the efficiency with which Straker and the translators can operate. Unlike many of its competitors, Straker primarily charges its customers by the word but the translators charge by the hour. As the efficiency of its platform increases, this advantage is reflected in improved economics.

Figure 3.1: Hybrid translation model



Note: API stands for application programming interface and is a set of subroutine definitions, communication protocols, and tools for building software.
Comprising both third-party owned engines and engines within Straker's platform.

Straker is a global business and had approximately 8,400 customers[1] in FY18 ranging from individuals and small companies undertaking standalone translation projects to leading global companies across a broad range of industries for which Straker provides ongoing services under master services agreements. In FY18, 88% of Straker's pro forma revenue was generated outside of Australia and New Zealand and approximately 83.5% of pro forma revenue was either through master services agreements or repeat customers (customers who have previously placed an order with the Straker business, many of whom are enterprise in nature).

The Company has invested in its global infrastructure to support its growth and now employs approximately 120 people[1] and operates from five production centres in Auckland (New Zealand), Barcelona (Spain), Denver (USA), Ireland and Germany, together with sales offices in ten countries across the world.

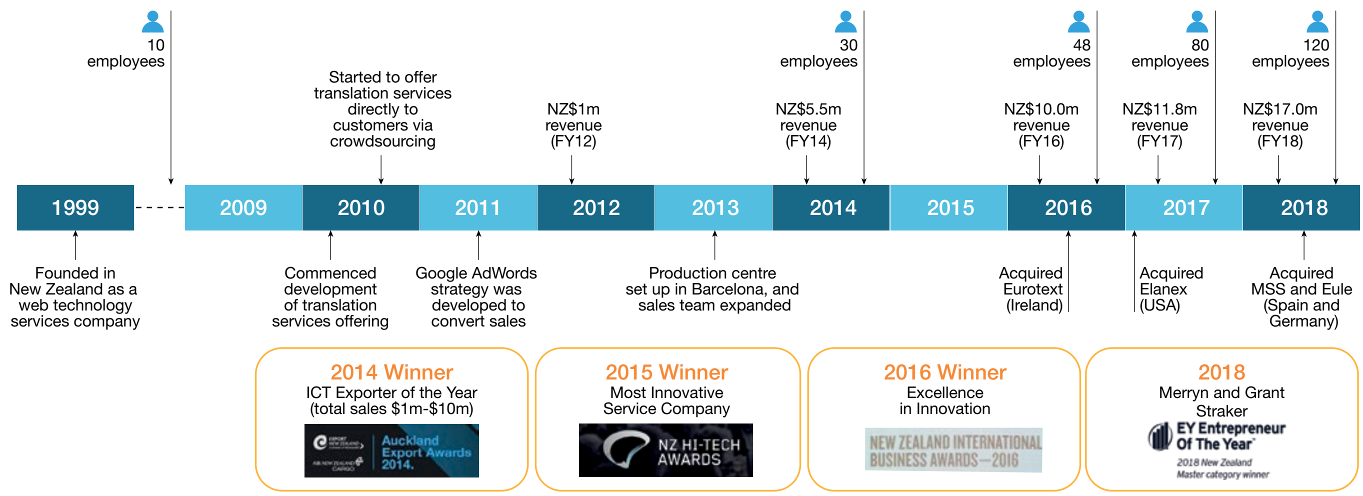
1 Pro forma, including MSS and Eule which were acquired in FY19.

Figure 3.2: Geographic coverage

3.2 Corporate history

Straker was founded in 1999 by Grant and Merryn Straker as a web technology services company and for the first 10 years of the Company's history it sold a multilingual content management platform. Observing how inefficient the translation services were that it was using, in 2010 Straker commenced development of its own translation services offering and, in 2011, moved the Company away from its original content management platform business to focus solely on translation services. Key milestones in the Company's history are set out in Figure 3.3.

Figure 3.3: Key milestones



Note: All revenue is statutory and excludes the MSS and Eule acquisitions.

3.3 Products and services

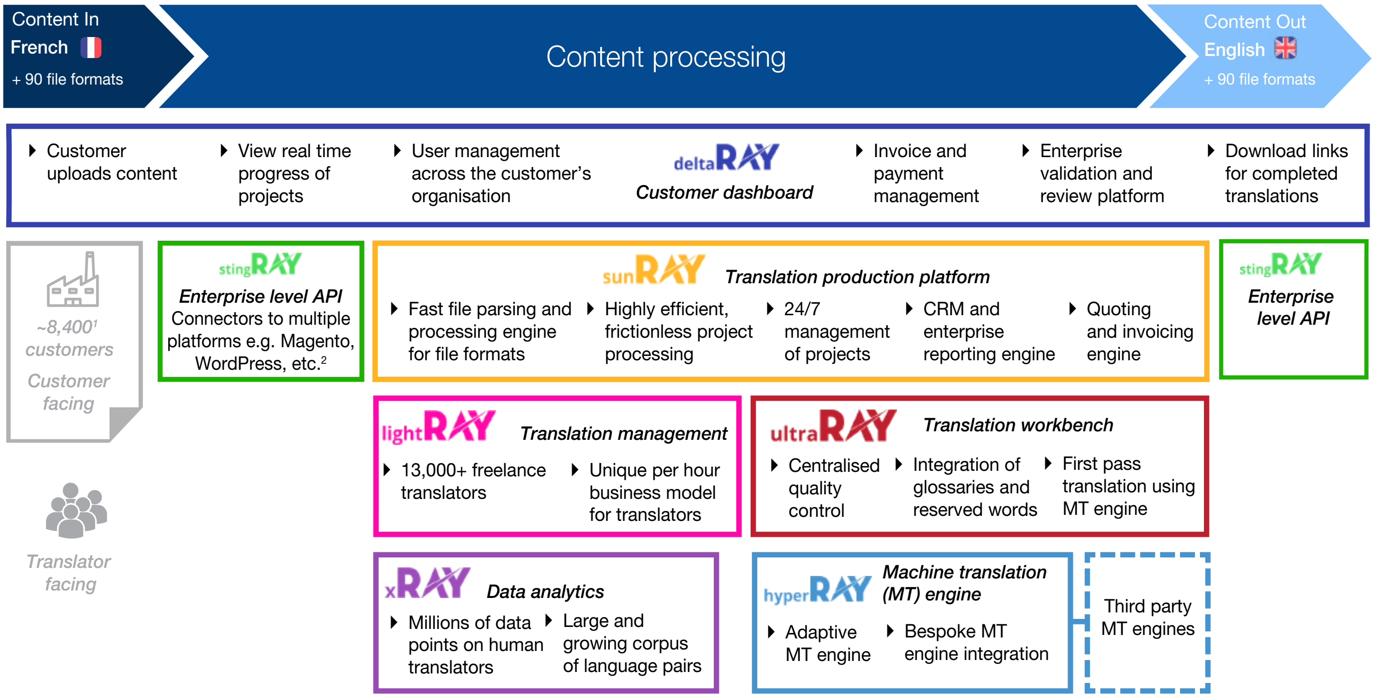
3.3.1 Overview

Straker provides translation services to its customers via a hybrid translation model using its proprietary cloud-based platform, third-party platforms and crowd-sourced freelance translators. Straker provides translation solutions that enable local relevancy, brand consistency and technical usability across languages, platforms and geographies. It translates, localises and adapts customers' content to meet the language, cultural and industry specific requirements of users in local markets across the world.

Straker's proprietary platform is called the 'RAY Translation Platform' which Straker believes is a leading platform of its type based on its speed, functionality (e.g. ability for translators to charge per hour rather than per word) and the analytics it can generate (e.g. translation memory and ability to track translator's speed per hour in real time). The RAY Translation Platform is owned by Straker (noting that third-party owned translation engines are also used within the platform) and has been developed over eight years. The RAY Translation Platform enables more than 13,000 qualified freelance translators to work on a single cloud-based translation platform and leverage Straker's machine translation and big data technology.

The RAY Translation Platform is a combination of seven modules that deliver a more efficient translation process. Straker's translation process and the interaction with each of the Straker modules is set out in Figure 3.4.

Figure 3.4: RAY Translation Platform



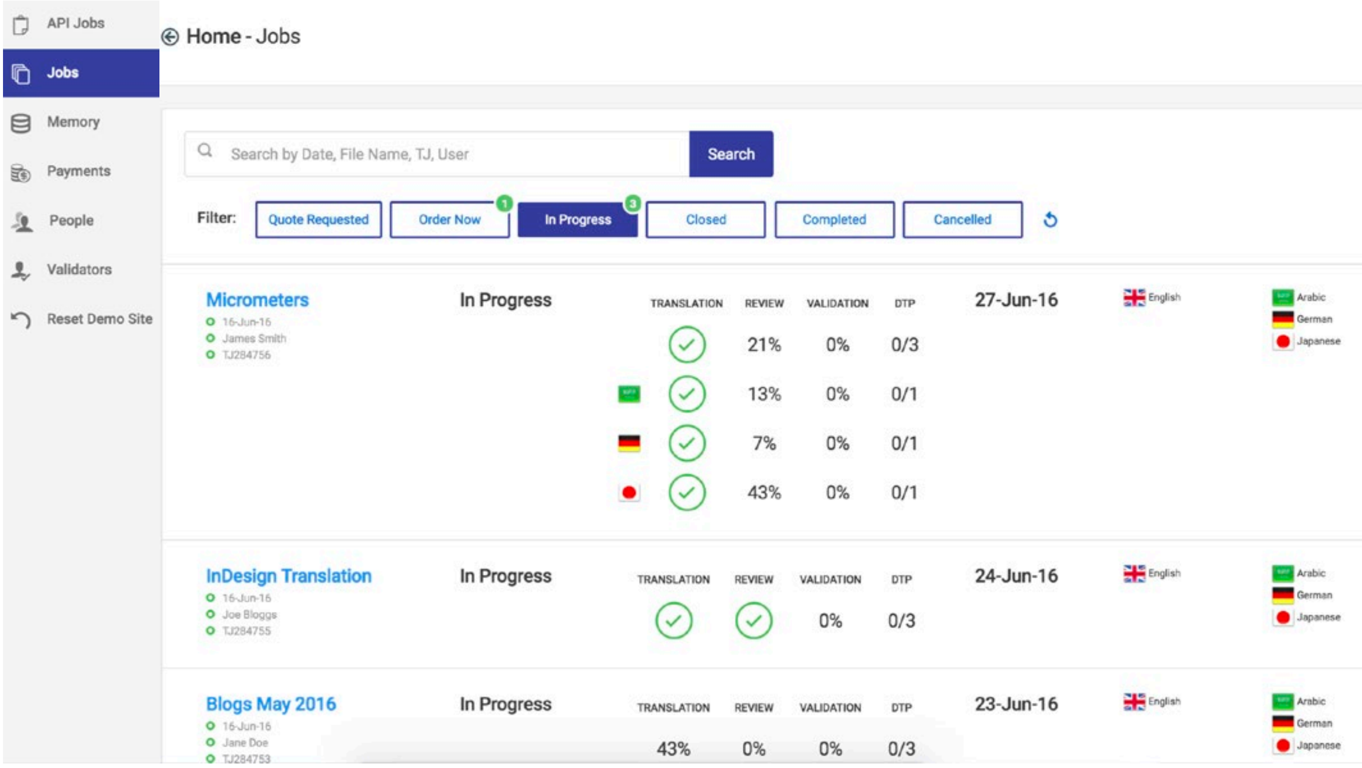
Note:

1. FY18 pro forma, including MSS and Eule which were acquired in FY19.
2. Straker has no ownership or rights in these logos/trademarks nor does it own the underlying intellectual property in the software represented by these logos/trademarks.

3.3.2 Customer facing modules

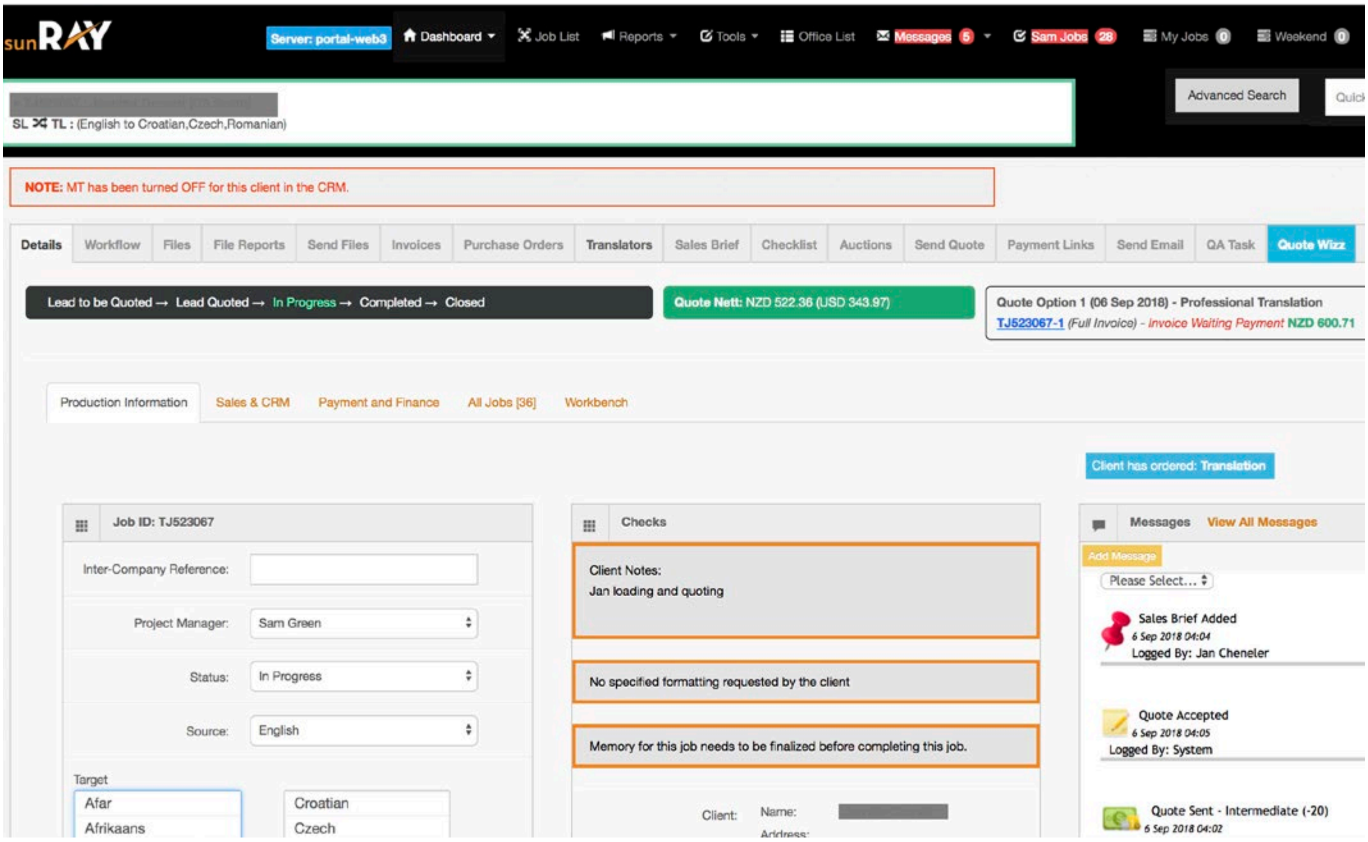
3.3.2.1. Customer dashboard module – 'deltaRAY'

deltaRAY enables customers to manage their translation activities in one place as depicted below. The secure dashboard allows customers to order a translation, track progress, assign users, give access to validators, get reports and make payments. It has memory technology that provides customisation for customers including glossaries and reserved terms. Reviewers can be assigned to check, leave comments or make changes to the translated text through Straker's validation platform.



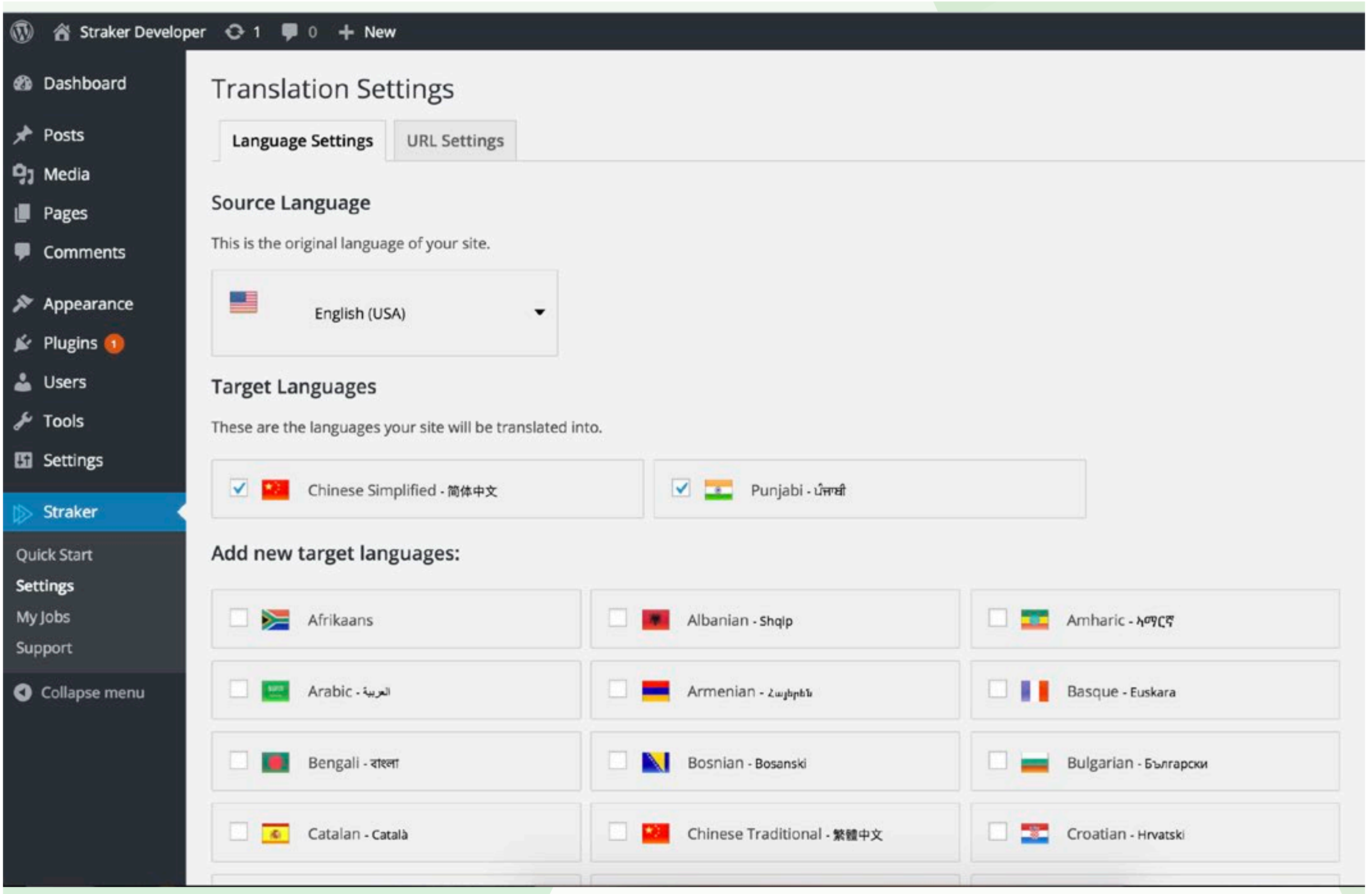
3.3.2.2. Translation production module – 'sunRAY'

sunRAY is a comprehensive project management platform, which streamlines and simplifies the control of translation projects as depicted below. If integrated with the xRAY (analytics) and lightRAY (translator management) modules, users are able to receive a job quote within minutes. Pricing is based on historical data points, subject field and translator availability. Straker is able to provide 24/7 project management for its customers around the globe through its five global production centres in Denver, Barcelona, Auckland, Ireland and Germany.



3.3.2.3. Enterprise level API module – ‘stingRAY’

stingRAY is a translation API that allows translation to be included in customers’ existing applications as depicted below. Customers can build a custom connector to stingRAY or they can use one of Straker’s pre-built connectors for popular third party content and eCommerce platforms including WordPress, Magento and Adobe Experience Manager[2]. Straker believes such connectivity is important given more content is moving into centralised eCommerce and content platforms.

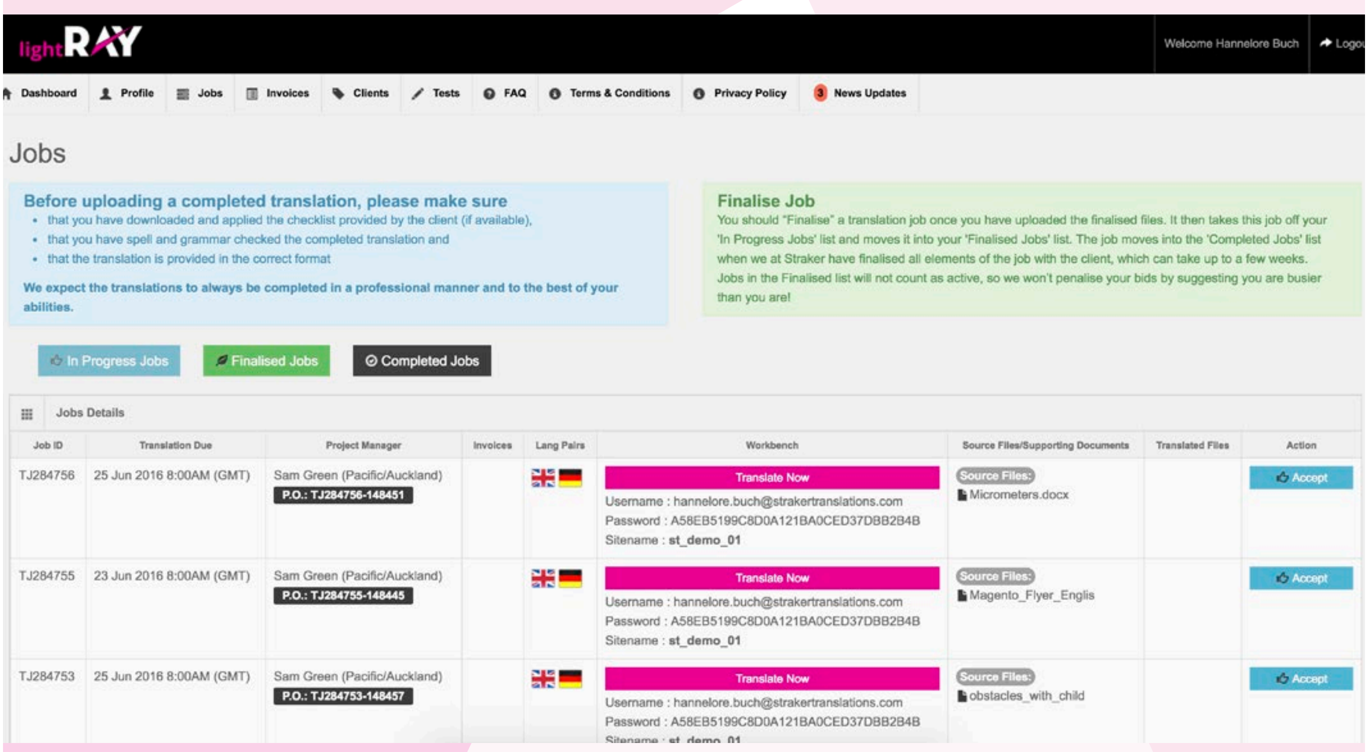


2 Straker has no ownership or rights in these logos/trademarks nor does it own the underlying intellectual property in the software represented by these logos/trademarks.

3.3.3 Translator facing modules

3.3.3.1. Translator management module – 'lightRAY'

lightRAY is a translator management portal that allows Straker to engage more than 13,000 professional freelance translators as depicted below. These translators are tested, scored, ranked and then tracked as they complete projects enabling lightRAY to build up a comprehensive profile of their skills. This ensures Straker matches the right translator to the customers' projects.



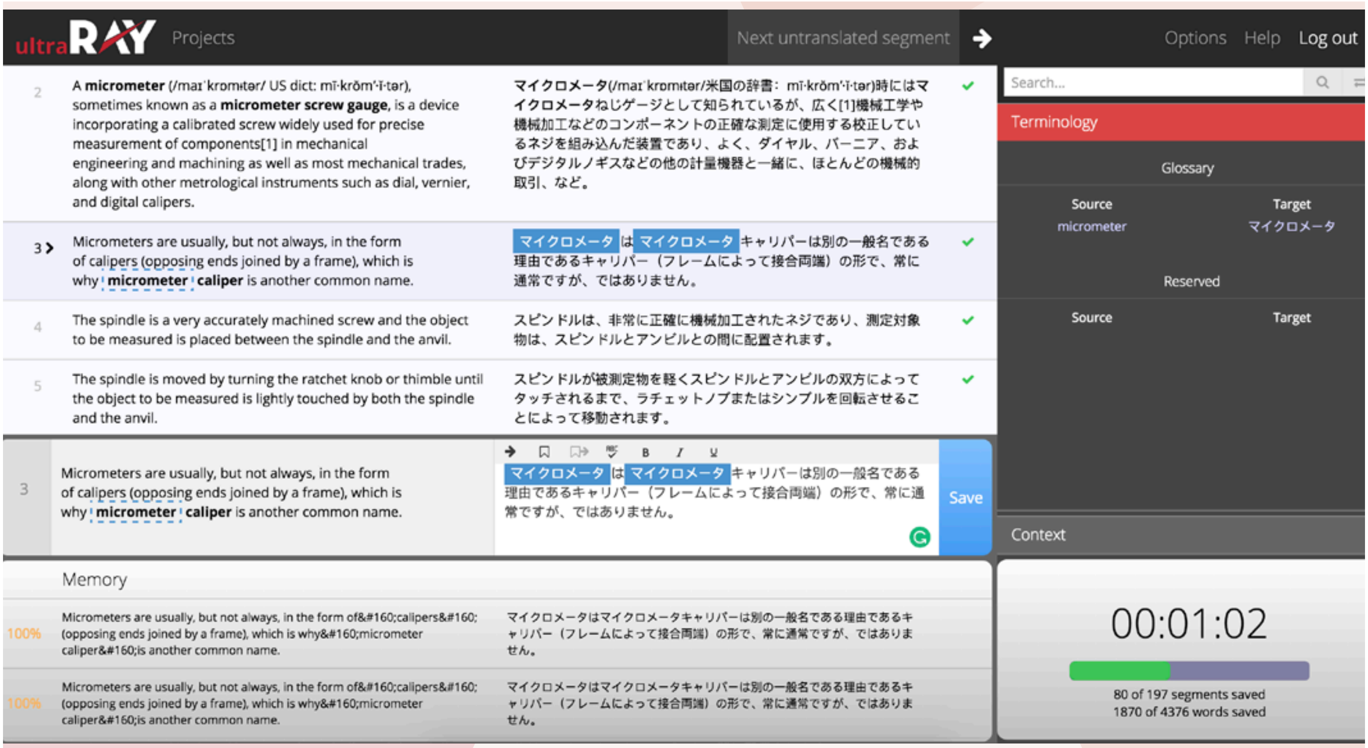
3.3.3.2. Data analytics module – 'xRAY'

xRAY is an intelligent data analytics engine for translation services. It improves quality and lowers costs by allowing easy access to meaningful data insights in real time. This data is used to increase translator efficiency and assist with selecting the right translators for the project.

3.3.3.3. Translator workbench module – ‘ultraRAY’

ultraRAY is a translator workbench which provides software tools for more than 13,000 human freelance translators, allowing them to work faster, smarter and collaboratively as depicted below. A key feature of ultraRAY is its efficiency in uploading and downloading content to and from the platform. Translators can access the workbench through a web browser.

Some projects require multiple translators and it allows project managers to know exactly how fast the translators are working, how many segments are completed and their estimated completion time. Underperforming translators can be replaced with other translators during the project if required. Completed files are automatically pushed into the review workflow, ensuring each document can be worked on simultaneously.



3.3.3.4. Machine translation engine module – ‘hyperRAY’

hyperRAY is a bespoke machine translation engine that assists translators. It has separate memory capabilities per customer, enabling more intuitive and higher quality text matches each time a translator saves content. hyperRAY also uses third party machine translation engines that complement the data Straker has collected over time.

3.3.4 Key platform strengths and differentiators

Key strengths of the RAY Translation Platform and those the Company believes differentiates them from other language service providers are set out below:

Speed

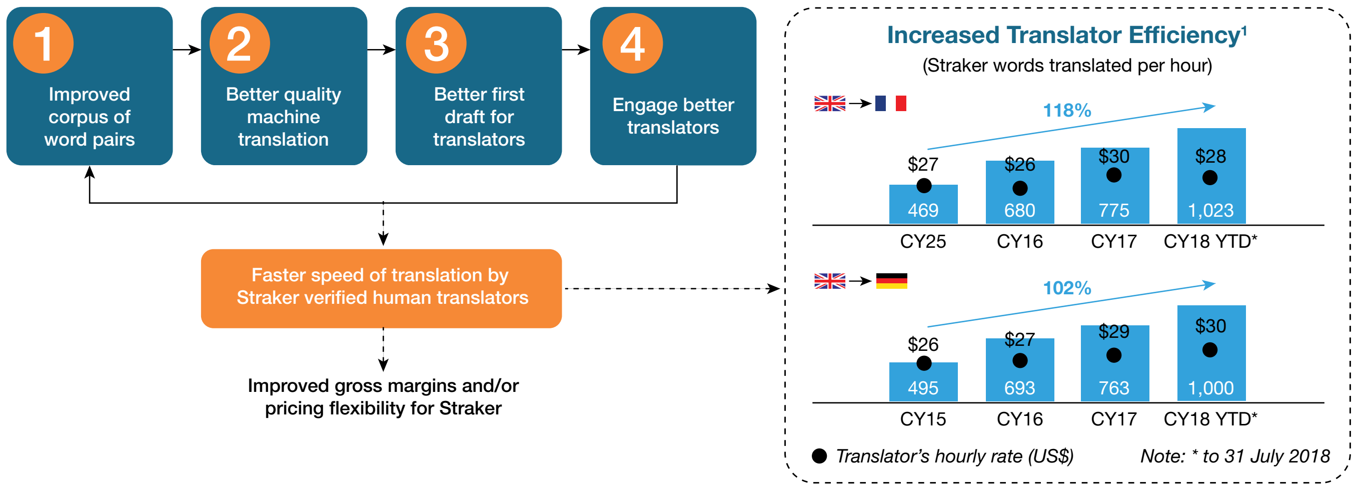
Straker believes that the RAY Translation Platform allows it to provide translation services for its customers at greater speed than many of its competitors. This increase in speed is primarily a result of:

- using the platform's machine learning which results in a better first draft for the freelance translator;
- the platform recording ongoing metrics on speed, word change rate, human accuracy and other variables which assists in engaging the right freelance translator for a particular job; and
- the platform applying a layer of translation memory, glossaries, reserved words and linguistic modelling to further assist the translator to increase translation speeds.

Straker typically charges customers by the word, but translators charge by the hour. These improvements in translator speed manifest in industry-leading gross profit margins and improves Straker's pricing versus its competitors. The increases in efficiency and average translator rates for two language pairs between 2015 and 2018 is set out in Figure 3.5.

As machine translation improves, the data generated by the RAY Translation Platform will enable it to increase translation efficiency further. The speed of the RAY Translation Platform is considered an increasing source of competitive advantage which enables it to generate superior gross profit margins and/or pricing flexibility for Straker.

Figure 3.5: Increased translator efficiency results in faster and cheaper outcomes for customers



Note: 1. Jobs through the Straker Platform for these language pairs.

Figure 3.6 provides a case study that further highlights the speed differential between Straker and Elanex (one of the businesses Straker has acquired) as an example of a traditional language service provider. This compares the actual workflow for a project of 9 files with approximately 120,000 words being translated from multiple European and Chinese language translations. It is based on an actual customer and compares the process if undertaken for the customer by Elanex with the process on the RAY Translation Platform. The figure indicates an estimated time saving of over 270 hours, or the job would be completed in 45% of the time if undertaken on the Straker platform versus what Elanex could provide at the time of its acquisition by Straker.

Figure 3.6: Straker's platform versus Elanex at the time of acquisition

Tasks	Elanex		Straker			Time saving	
Translation request	• Specify which files to translate in email • Ask for a quote • Create project in a LMS*	30 mins	• Files uploaded by customer and project automatically created	deltaRAY	2 mins	~28 mins	
Review files before quoting	• Copy and paste data into excel • Sort matches with existing data • Add files to a conversion tool	8.6 hours	• Automated scripts do the file manipulation and memory matching	sunRAY	3.5 hours	~5.2 hours	
Quote	• Asses content and word count • Compose email, send quote with options	30 mins	• Add any custom options and quotes generated directly from the system	sunRAY	5 mins	~25 mins	
Translation	• Review first draft of the translation • Reconvert text • Apply file naming conventions	472.6 hours[1]	• Job is pushed into LightRAY and translators are assigned	ultraRAY	216 hours[1]	~256.6 hours	Straker's translation engine delivers ~98% of its efficiency gain
Quality assurance	• Set up review and edit process • Send files to editors – receive annotated files back • Changes added to translation memory	9.1 hours	• Set up reviewers to initiate review process	deltaRAY sunRAY	1.8 hours	~7.3 hours	
Send translation to customer	Total time = ~491.4 hours		Total time = ~221.4 hours			Total time saved of ~270 hours/is completed in ~45% of the time	

Note: * LMS is language management system.
1. Based on a combined word count of approximately 120,000. Based on a real customer job for Elanex.

Collaboration

Being an integrated cloud-based platform, the RAY Translation Platform allows for collaboration among a number of parties (translators, Straker and customers). The RAY Translation Platform's collaboration and validation features ensure that the quality control process is streamlined. Unlike many traditional language service providers, validators do not need to process multiple emails or circulate large documents as tasks such as tracking, annotating and editing, and approval can be undertaken through a web browser. This reduces the friction of getting content into and out of the translation process and also enables more work to be processed by fewer people.

Large data asset

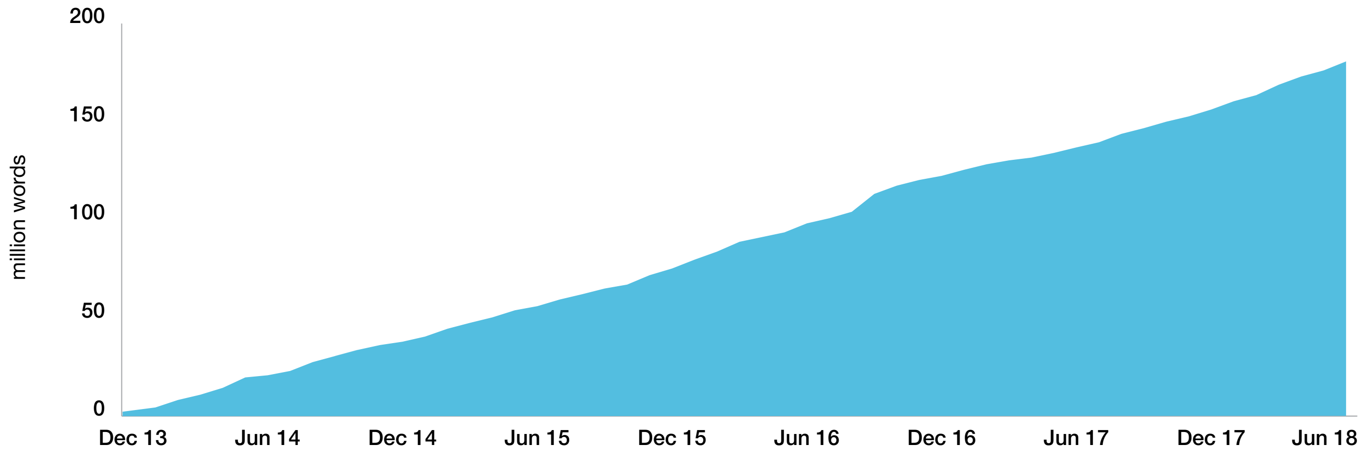
The RAY Translation Platform has collected over 554 billion data points over the past eight years that are critical in Straker's ongoing performance, in that they can be used to train machine learning engines as well as provide relevant data on each translator.

Examples of data that Straker captures include:

- translator cost;
- subject matter expertise of translator;
- quality of translators' previous work;
- secondary data points on the translator;
- optimal linguistic structures;
- edits/corrections made by translators;
- percentage of content edited; and
- time taken to complete the job.

As each accurate translation memory pair is created when the translation is completed, it becomes a vital component of retraining its adaptive machine learning translation engine for improved accuracy. Increasing the amount of data that Straker collects creates a range of benefits that ultimately improve the efficiency of the translators, the choice of translator, the service it can provide its customers and the margins it can achieve. Straker translates into more than 120 languages. In FY18 they translated from 86 source languages into 95 target languages. A larger collection of language data improves the quality of machine translation, providing a better first document to the human translator, reducing edits and corrections and therefore increasing speed. As Straker continues to build scale, this data asset grows and the Company believes this is a source of competitive advantage.

Figure 3.7: Cumulative number of words Straker has translated since December 2013



Quality

The RAY Translation Platform centralises the quality control process. Using big data analytics, Straker can analyse content and find issues that translators may miss. Straker has adopted the quality control process known as the LISA QA model, the strictest international quality standard currently in place and the Company has achieved the highest global certification possible for translation services, being ISO 9001 and ISO 17100. A measure of the quality of Straker's service is that refunds represented only 0.3% of FY18 revenues.[3]

Ease of use

Straker's customer dashboard, deltaRAY, provides a single, centralised view for the customer. As discussed in Section 3.3.2.1, the secure dashboard allows customers to order a translation, track progress, assign users, give access to validators, get reports and make payments. This differs from other competitors that operate across multiple applications provided by third party providers. Straker believes that the ease of use provided through the RAY Translation Platform further differentiates it from many of its competitors and provides benefits to global enterprises such as centralised procurement, reporting, monitoring and billing.

Translator pool

Straker has access to more than 13,000 registered and validated freelance translators around the world, and engaged with approximately 1,700 individual translators over the last 24 months on projects. Translators are mainly sourced through inbound request from our website and we also externally source translators from translator "connector" websites that are common in the industry.

Translators are put through a range of automated tests for their chosen source and target language including spelling and grammar, before a second stage of 'human marked' subject domain tests are completed. Once translators have passed the human marked tests they are then tested on smaller jobs before being put into the overall translator pool to bid for projects.

Translators are put through a range of checks including grammar, translation tests where appropriate and checks of their CV, credentials and experience.

Translators do not provide services solely for Straker and may provide services to a range of other providers on other projects. As Straker provides significant and regular opportunities for projects we maintain strong and consistent engagement with the crowdsourced translator pool.

3 Based on jobs processed through the Straker platform (noting that not all jobs are processed through the RAY Translation Platform, being those from companies acquired by Straker).

Our LightRAY translator platform simplifies a range of activities for translators including invoicing and payments. UltraRAY also provides all the tools the translator requires to complete projects at no cost to the translator.

The translator pool typically comprises professional translators, the majority of whom work from their own premises and are located across the globe.

3.4 Summary of operations

3.4.1 Revenue model

Straker categorises its revenue into three broad categories being:

1. enterprise revenue provided under master services agreements;
2. revenue from repeat customers (customers who have previously placed an order with the Straker business, many of whom are enterprise in nature) that are not provided under master services agreements; and
3. transactional revenue.

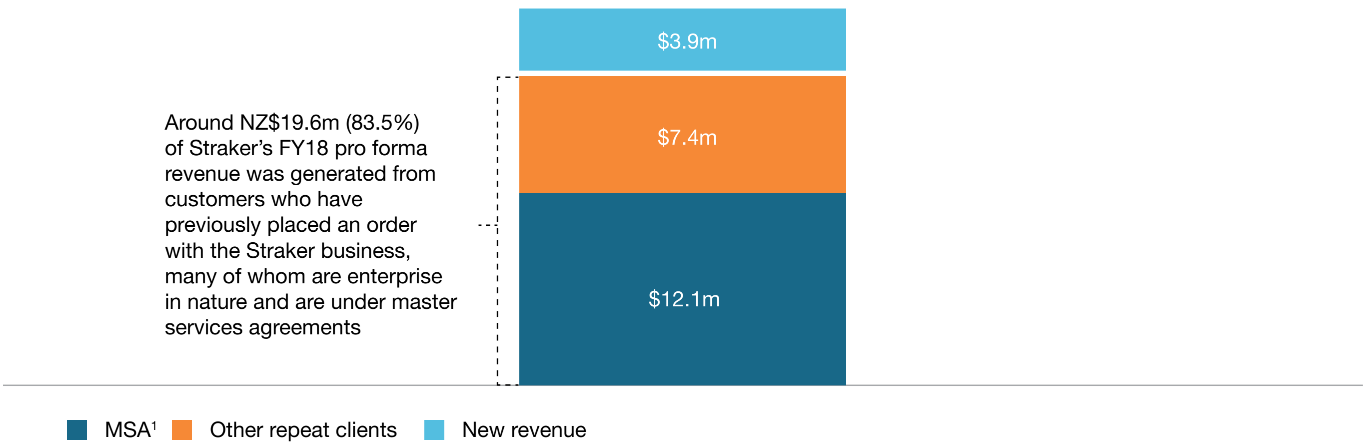
In FY18, revenue provided under master services agreements and other repeat customers represented approximately 83.5% of total pro forma revenue.

The majority of services are charged to customers on a rate per word basis with the rate varying depending upon the language pair (e.g. a greater rate for a less common language pair) and nature of the project (e.g. level of technical language).

For customers under master services agreements, the rate per word for various language pairs is agreed up-front and may be increased by Straker over the term of the agreement. The master services agreements may provide for discounts for volume or other items and/or premiums for items such as priority files required in a short timeframe. Master services agreements do not provide for minimum volumes and Straker may either be an exclusive provider of translation services to a customer or one of a number of providers to that customer.

For transactional customers, each file that requires translation is provided to Straker for a quote which is then provided to the customer for acceptance. Transactional customers pay upfront and therefore provide a positive working capital benefit for Straker. The Straker RAY Translation Platform will put out a tender to freelance translators that includes information such as the translator rate per hour, sample of text and timing requirements. Translators will then bid on this work and the Straker platform will select the most appropriate translator(s).

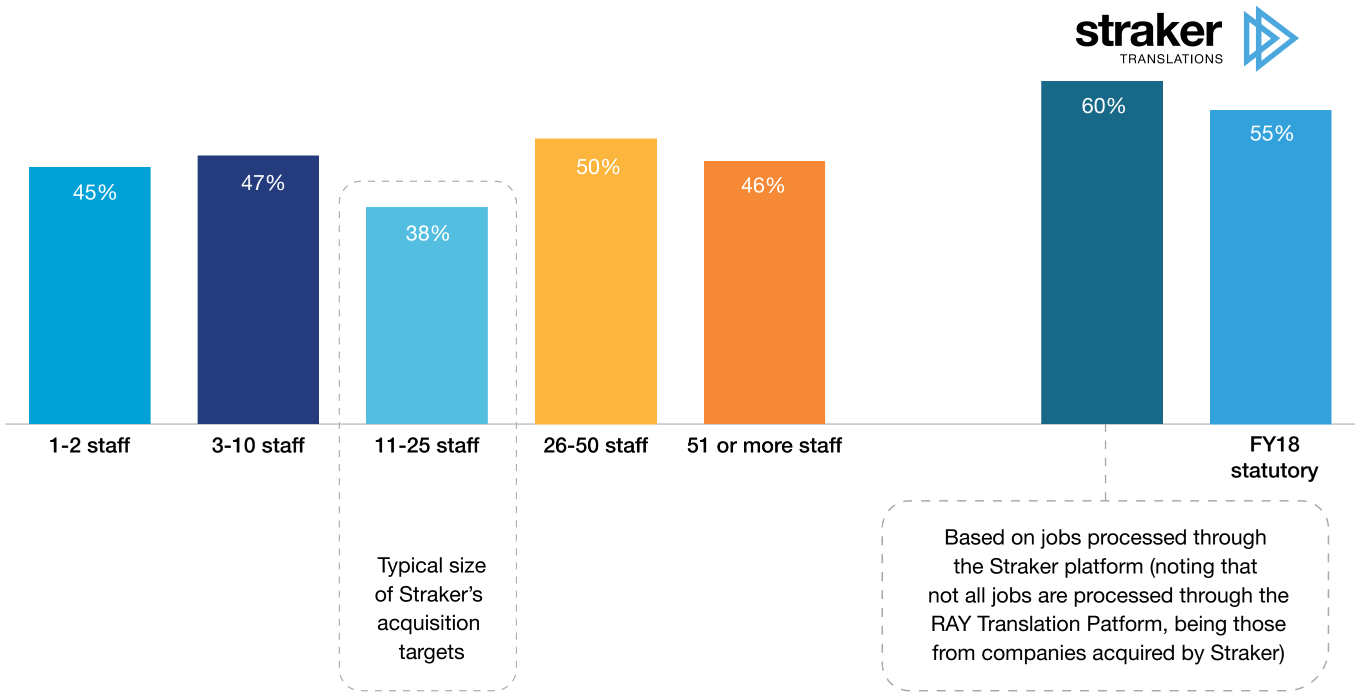
Figure 3.8: Pro forma revenue composition FY18



Note: 1. MSA = master services agreements.
Revenue contributions might not sum due to rounding.

Straker's model differs from many others in the industry in that it charges customers on a rate per word but the translators charge based on an hourly rate. This provides significant opportunities for the Company to improve margins and offer competitive pricing as any speed and efficiency gains that Straker can generate for the translator through the RAY Translation Platform are reflected in the margins it can achieve and/or the prices it can charge. A survey of 152 language service providers conducted in 2017 by The Association of Language Companies provides profitability data for a broad range of participants, based on responses to the survey. As shown in Figure 3.9 below, the average gross profit margins of respondents vary between 38% and 50%, depending on the size of the company (measured by number of staff) compared to Straker's gross profit margin in FY18 of 60% based on jobs processed through the Straker platform (noting that not all jobs are processed through the RAY Translation Platform, being those sourced from companies acquired by Straker that have not yet been migrated).

Figure 3.9: Gross profit margins



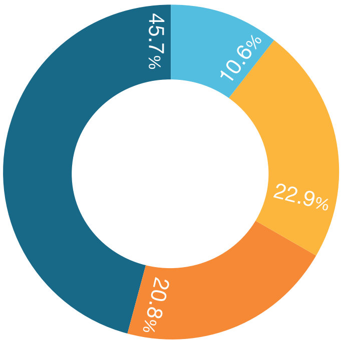
Source: The Association of Language Companies, 2017 Industry Survey and Nimdzi 100 Report, 2018; company websites and annual reports; press information.

3.4.2 Customers

Straker has a diverse customer base ranging from individuals and small businesses undertaking stand-alone transactions to large multi-national companies which undertake ongoing programmes of work under master services agreements. In FY18, Straker provided services for approximately 8,400 customers[4] globally with the largest customer accounting for 10.6% of total pro forma revenues and the top 20 customers accounting for 54.3% of pro forma total revenues. The majority of Straker's revenues are sourced from outside Australia and New Zealand, representing 88% of pro forma FY18 revenues. Of this amount, Straker's largest market in FY18 by pro forma revenue was the UK and Europe. Straker services customers across a very broad range of industries, with the major industries serviced during FY18 being financial services, health, technology, eCommerce, manufacturing and consumer goods.

4 Pro forma, including MSS and Eule which were acquired in FY19. Straker had approximately 8,200 customers and MSS and Eule had approximately 180 customers collectively.

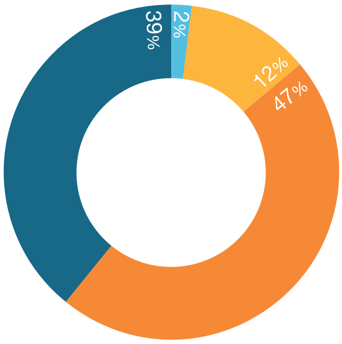
Figure 3.10: FY18 pro forma revenue concentration



- Largest customer
- 2-5 customer
- 6-20 customer
- Other

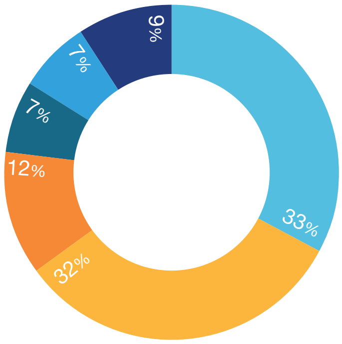
Note: The largest customer is a global software and service provider and the work is split across two separate agreements in two different geographies. The two agreements are not related.

Figure 3.11: FY18 pro forma revenue by geography



- Asia (Japan and HK)
- Australia and NZ
- UK and Europe
- North America

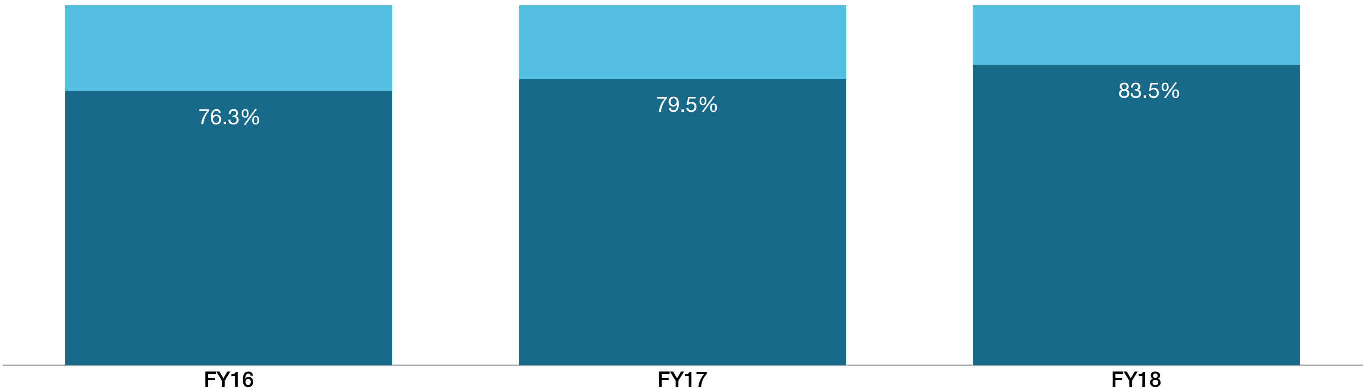
Figure 3.12: FY18 pro forma revenue by industry



- Manufacturing, FMCG, engineering and construction
- Technology, e-commerce and media
- Financial and professional services
- Medical
- Education and government
- Other

One metric that highlights the quality of Straker's services is the increase in revenue from repeat customers over time. Since FY16 the percentage of pro forma revenue from repeat customers (i.e. revenue from customers who have previously placed an order with the Straker business, many of whom are enterprise in nature and are under master services agreements) has increased from 76.3% to approximately 83.5% in FY18.

Figure 3.13: Pro forma revenue from repeat customers



Repeat revenue (%)
Represents customers who have previously placed an order with the Straker business, many of whom are enterprise in nature and are under master services agreements.

New revenue (%)
Represents revenue from new customers.

3.4.2.1 Case studies

Case study

Background

- Mitutoyo is a leading manufacturer of precision measuring equipment in more than 40 countries

Challenge

- Mitutoyo has over 53,000 products in 23 countries requiring provision of product information in multiple languages

Outcome

- Deep use of Straker's RAY Translation Platform to simplify complex internal workflows across 23 countries and enable the Mitutoyo team to get content to market faster than many of their global competitors
- Mitutoyo is Straker's longest standing enterprise level relationship and a strong supporter of Straker's ability to support its localisation needs into the future

Leading Global Manufacturing Company

Background

- This customer is an American multinational listed on the NYSE (market cap over US$20 billion) who conducts manufacturing and assembly operations in 51 plants world wide
- The customer was an acquired relationship through Eurotext (has been a customer of Eurotext for more than 10 years)

Challenge

- Prior to the acquisition, Eurotext had been coming under increasing pressure from the customer to simplify the management of the translation process and enable a more automated process

Outcome

- The customer was transitioned across to the RAY Translation Platform and has extended its agreement for another five years
- Straker is now the sole supplier across the whole global business because of its increased functionality and technology platform
- DeltaRAY has been embedded directly inside the customer's internal systems

3.4.3 Customer acquisition

Straker acquires customers through four major channels:

Transactional revenue

Transactional revenue is sourced via online channels. The Company uses search engine marketing and search engine optimisation together with social networks to drive customers to its website. From the website they are directed to either a 'buy now' option if they are in immediate need or to a 'get more information' option if they have more complex requirements. A number of customers become repeat customers through the transactional channel.

Enterprise sales

Enterprise sales are driven by Straker's sales team, consisting of 16 salespeople in ten countries. This team coordinates enterprise marketing campaigns to ensure solutions are communicated to the right people in target organisations, focusing on solution focused sales involving Straker's sales, production, technology and finance teams. The enterprise sales team is also responsible for enterprise account management. Straker separates large and small repeat customer sales as they have different drivers, margins and processes for account management. Each enterprise salesperson is assigned accounts to manage to ensure strong sales relationships are maintained with the account and that sales targets are achieved.

Integrations and content platforms

Straker believes that more and more digital content is moving into centralised eCommerce and content platforms. Straker therefore has a targeted approach to these key platforms, concentrating on building high quality translation connectors into leading platforms and increasing API / Platform based revenue over time through leveraging the large platform customer bases. In addition to building high quality plugins into the platforms, the Company is attending platform specific conferences and online engagement with the community. Straker currently offers plugins into third-party platforms including Magento, WordPress and Adobe Experience Manager[5]. An API integration with a major customer has resulted in significant revenue growth and is a key component of retention strategy for this customer.

Acquisitions

Business acquisitions are the fourth key source of customers. Acquisitions are considered to be a key source of customer growth as they can provide sizeable advances in revenue growth with economics that can improve as customers are migrated onto Straker's platform. In many cases, growing customer numbers through acquisitions has a lower cost of acquisition than more traditional means. In addition, translation services often involve highly sensitive content and so there is a high level of trust required. Securing customers via acquisitions allows them to stay with their existing provider, rather than establishing new relationships which a change of provider involves.

3.4.4 Information technology

The RAY Translation Platform code has been developed and tested over eight years. There are 18 full time employees (as at 1 July 2018) in Straker's technology department who are involved in R&D initiatives, maintenance and integrating acquisitions. The team is based in New Zealand and collaborates with sales staff as well as customers to make iterative improvements efficiently.

The RAY Translation Platform is hosted by IBM Softlayer and Amazon AWS[5].

Straker uses the following range of methods to ensure consistent delivery for its products and services:

- all data is encrypted and secured;
- a full redundant copy of Straker's production infrastructure is maintained in a secondary site for disaster recovery;
- applications are run on multiple servers using intelligent load-balancing;
- regular disaster recovery exercises are conducted;
- intrusion detection and vulnerability scanning is conducted on a periodical basis;
- real time reporting is maintained, with email and mobile alerts sent to relevant people and systems in the event of system failures; and
- policies, standards, guidelines and procedures around the delivery of Straker's products and services are in place.

5 Straker has no ownership or rights in these logos/trademarks nor does it own the underlying intellectual property in the software represented by these logos/trademarks.

3.5 Growth strategy

The Company has a number of key organic and inorganic growth strategies in place to provide ongoing growth.

3.5.1 Organic growth strategies

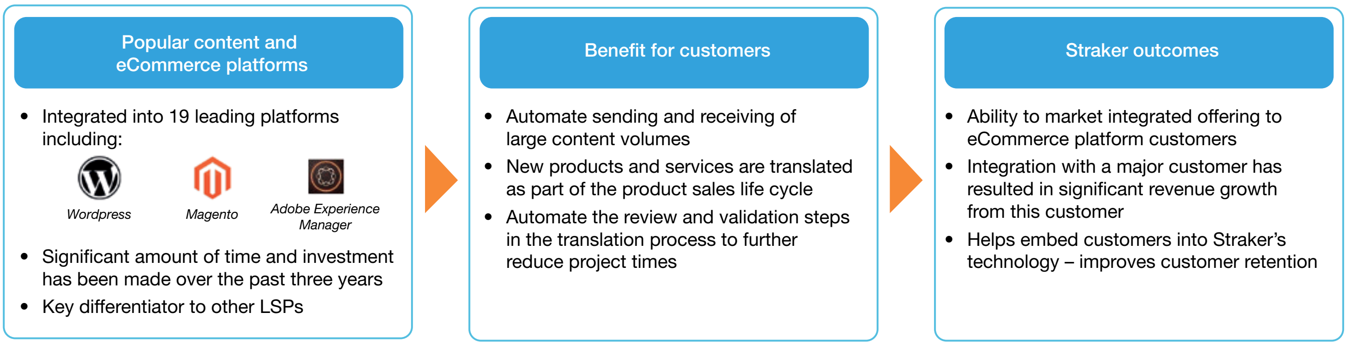
Winning new enterprise customers

Straker sees securing large volume enterprise customers as key in driving organic growth as such revenue is based on service agreements and, typically, repeatable. The lack of a global enterprise sales team was identified in 2016 as inhibiting organic growth. Since this time, Straker has assembled a team of 16 salespeople across ten countries. Straker has employed specialist enterprise sales teams for verticals such as legal and eCommerce platforms. The Company typically generates more repeat revenue from enterprise customers rather than transactional customers as a result of the integrated nature of its relationship and technology solution. Approximately 83.5% of Straker's FY18 revenue pro forma was generated from master services agreements and repeat customers.

Integration in eCommerce and content management system platforms

Straker sees its integration into eCommerce and content management platforms as being a key growth opportunity going forward as it provides the opportunity to directly market to these platforms' broad customer bases. Straker will continue to invest in new integrations and refining the integrations it has undertaken to date.

Figure 3.14: Content platform integrations



Note: Straker has no ownership or rights in these logos/trademarks nor does it own the underlying intellectual property in the software represented by these logos/trademarks.

Increase penetration with existing customers

As part of assembling the global sales team, Straker has put in place account management structures. Such account management is believed to be critical to servicing larger enterprise customers to both ensure strong sales relationships are maintained but also to expand existing accounts. This is particularly important in providing the opportunity to upsell to acquired customer bases. Each enterprise salesperson is assigned accounts to manage, with activity tracked through Salesforce and through Straker's internal sales portal for actual sales against budget.

Transactional revenue

While enterprise customers are a key focus for Straker, transactional revenue remains an important part of the business providing cash flow benefits, driving smaller jobs that can involve a greater degree of automation, be used to test new translators, keep steady deal flow in front of the crowd-sourced freelance translators and involve only minimal effort from sales personnel. Straker's growth of transactional revenue is driven by using online advertising and content marketing to drive buyers to the Straker website which can lead to immediate sales or, alternatively, cause customers to seek out more information if they have more complex requirements.

Straker's online acquisition model has been refined over seven years to deliver predictable results and return on marketing spend. A smaller percentage of transactional customers become repeat, however, this is offset by the higher margin nature of these transactions.

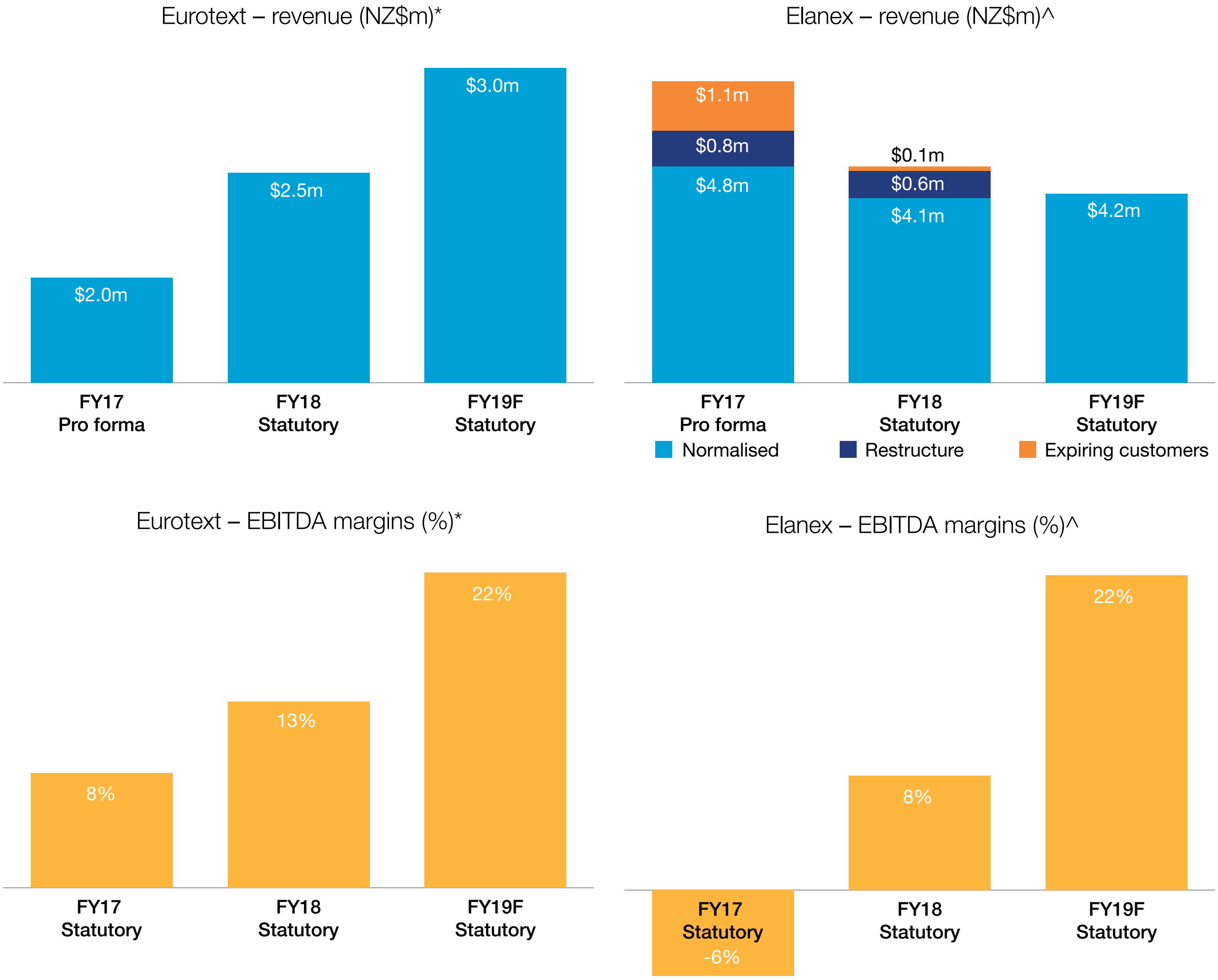
3.5.2 Acquisition strategy

Straker has an acquisition strategy and believes that the migration of acquired company customers onto its platform provides a strong commercial rationale for undertaking acquisitions. The financial fundamentals underpinning the Company's acquisition strategy include:

- increasing the earnings margins achieved by acquired companies through migrating their customers to Straker's technology platform and business model;
- consolidating operating costs through utilising Straker's centralised global technology and the support infrastructure;
- gaining a geographical footprint in key markets with many customers still requiring local presence;
- gaining economies of scale in areas of importance such as data assets across language pairs, translator resources for domain subjects, key sales people and processes and global production capacity; and
- growing acquired customer bases through offering Straker's technology solutions.

Straker can demonstrate the achievement of many of these goals in the completion of its first two acquisitions of Elanex and Eurotext.

Figure 3.15: Acquisition case studies



* FY17 revenue is based on full year result, as disclosed in note 25 Acquisitions of Subsidiaries of the FY17 Straker Group Financial Statements; FY17 EBITDA margin % is for part year from acquisition date on 1 October 2016.

^ FY17 revenue is based on full year result, as disclosed in note 25 Acquisitions of Subsidiaries of the FY17 Straker Group Financial Statements; FY17 EBITDA margin % is for part year from acquisition date on 1 February 2017.

Eurotext and Elanex

Eurotext is an Irish based translation service provider that was acquired by Straker in October 2016. Between FY17 and FY18, Straker was able to increase Eurotext's revenue by 25% and is forecast to increase by a further 20% in FY19. EBITDA margins improved from 8% in FY17 (statutory) to 13% in FY18 and is expected to increase to 22% in FY19.

Elanex is a US based translation service provider that was acquired by Straker in February 2017 to gain more US market traction. Revenue has decreased, as forecasted pre acquisition, since the date of acquisition, driven by the loss of known expiring customers (effectively not paid for as part of acquisition transaction), a planned restructure of the business and decreases in orders from some existing customers. Revenue growth is forecast in FY19 off an adjusted FY18 base, taking into account known expiring customers and the impact of the restructure. Elanex revenues are sourced from two streams – USA Corporates and the Global Financial Services Group. EBITDA margins increased from -6% in FY17 to 8% in FY18 and is expected to increase to 22% in FY19.

In both cases, FY18 doesn't reflect a full migration of customers onto Straker's platform and the Company expects further benefits to be achieved in FY19 (as per the forecast EBITDA margin uplift) and beyond.

As part of the first two acquisitions, Straker invested significantly in technology to allow simple integration of acquired customers into its own platform. The Company believes that this investment, and the other lessons learnt in these acquisitions, puts it in a stronger position to undertake future integrations more quickly.

The Company undertook two further acquisitions in FY19, being MSS and Eule.

Management System Solutions, S.L.

Management System Solutions, S.L. (**MSS**) is a Spanish based translation provider that was acquired by Straker in June 2018. The appeal of MSS is that its major customers are large enterprise customers with significant localisation and translation spend. MSS has a small percentage of the overall spend of each of these customers as they are focused on only two language pairs. Straker believes there is the opportunity to grow MSS's revenue by offering other language pairs through Straker's platform. Being located in Barcelona, where Straker has an office, also provides opportunities for integration and consolidation of costs.

Eule Lokalisierung GmbH

Eule Lokalisierung GmbH (**Eule**) is a German based translation provider that was acquired by Straker in July 2018. The appeal of Eule is that it is based in Germany where Straker has been looking for a permanent office to service this key European market. Eule specialises in technical German based translations and is run by an experienced CEO with extensive industry knowledge and contacts.

section 4
FINANCIAL INFORMATION

4.1 Introduction

Financial information for Straker contained in this Section 4 is set out below for the historical financial years ended 31 March 2016 (**FY16**), 31 March 2017 (**FY17**) and 31 March 2018 (**FY18**) together with the forecast financial year ending 31 March 2019 (**FY19**).

This section contains a summary of:

1. The statutory historical financial information of Straker comprising:
   - Statutory historical consolidated statements of profit or loss and other comprehensive income for FY16, FY17 and FY18 (**Statutory Historical Income Statements**);
   - Statutory historical consolidated statements of cash flows for FY16, FY17 and FY18 (**Statutory Historical Cash Flows**); and
   - Statutory historical consolidated statement of financial position as at 31 March 2018 (**Statutory Historical Balance Sheet**),

   (together, the **Statutory Historical Financial Information**);

2. The pro forma historical financial information comprising:
   - Pro forma historical consolidated statements of profit or loss and other comprehensive income for FY16, FY17 and FY18 (**Pro forma Historical Income Statements**);
   - Pro forma historical consolidated statements of cash flows for FY16, FY17 and FY18 (**Pro forma Historical Cash Flows**); and
   - Pro forma historical consolidated statement of financial position as at 31 March 2018 (**Pro forma Historical Balance Sheet**),

   (together, the **Pro forma Historical Financial Information**); and

3. The forecast financial information comprising:
   - Statutory forecast consolidated statement of profit or loss and other comprehensive income (**Statutory Forecast Income Statement**), and the statutory forecast consolidated statements of cash flows (**Statutory Forecast Cash Flow**) for FY19 (together, the **Statutory Forecast Financial Information**); and
   - Pro forma forecast consolidated statements of profit or loss and other comprehensive income (**Pro forma Forecast Income Statement**), and the Pro forma forecast consolidated statements of cash flows (**Pro forma Forecast Cash Flows**) for FY19 (together, the **Pro forma Forecast Financial Information**),

   (together, the **Forecast Financial Information**).

The Statutory Historical Financial Information and the Pro forma Historical Financial Information together with the Forecast Financial Information forms the "**Financial Information**".

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information, by BDO Corporate Finance (East Coast) Pty Ltd (the **Investigating Accountant**) whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the report. Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (Section 4.2);
- information regarding certain non AAS or IFRS financial measures (Section 4.2.2);
- key financial metrics (Section 4.4);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations to the Pro forma Historical Financial Information and the Pro forma Forecast Financial Information respectively (Sections 4.7 and 4.10);
- commentary on the liquidity of, and the sources of capital available to the Company (Section 4.11);
- the Directors' best estimate assumptions underlying the Forecast Financial Information (Sections 4.17.1 and 4.17.2);
- Management's discussion and analysis of the Historical Financial Information (4.18.6 and 4.18.7) and Forecast Financial Information (Section 4.18.8)
- the analysis of the sensitivity of FY19 Pro forma forecast consolidated Adjusted EBITDA to changes in key assumptions (Section 4.19); and
- details of the proposed dividend policy (Section 4.21).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in New Zealand dollars and unless otherwise noted, are rounded to the nearest NZ$1,000. Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculation.

4.2 Basis of preparation and presentation of the financial information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Straker, together with its forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared under New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**), and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**), which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus.

The impact of changes in the accounting standards on the Financial Information is noted below:

NZ IFRS-15: Revenue from Contracts with Customers

Application of this standard is mandatory for annual reporting periods starting from 1 January 2018 onward. An overview of the standard is provided below:

- Change of focus to the balance sheet – test is on the legal right to receive rather than a test of the transfer of risks and rewards.
- Revenue can only be recognised to the extent that an enforceable right to receive payment exists.
- 4 step process for revenue recognition:
  - Identify the contract(s) with a customer
  - Identify the performance obligations in the contract
  - Determine the transaction price
  - Allocate the transaction price to the performance obligations in the contract

Straker has consulted with an independent advisor to review a sample of its master services agreements and the underlying terms of those agreements. It was concluded that all terms were in alignment with IFRS-15, with the exception of Straker's customer termination clause, which required strengthening. Since the review, Straker has received legal advice and updated the relevant clauses for new master services agreements to comply with the standard. Management does not expect there to be any changes to the way revenue is recognised.

NZ IFRS-16: Leases

- Application of the standard is mandatory for annual reporting periods starting from 1 January 2019 onward.
- Changes recording of operating leases to match that of finance leases.
- The standard requires the following of lessees:
  - Recognition of a "right of use" lease asset at the same value as the lease liability, increased by any upfront payments and reduced by any lease incentives received
  - Recognition of a lease liability being the discounted present value of future lease payments
  - Recognition of interest expense and depreciation instead of rent expense

Straker will benefit from an increase in Adjusted EBITDA from the change in IFRS-16. Straker has not forecast a change to the IFRS-16 impact in FY19.

The Company has one reporting segment under IFRS 8 Operating Segments, being the provision of translation services for organisations.

Post-listing, Straker will continue to prepare its financial statements in accordance with NZ IFRS issued by the International Accounting Standards Board and its financial statements post-Listing will be audited and reviewed by Straker's auditor in accordance with the International Standards on Auditing (New Zealand).

4.2.1 Preparation of the Statutory and Pro forma Historical Financial Information

The Statutory Historical Financial Information has been extracted from the consolidated general purpose financial statements of Straker for FY16, FY17 and FY18.

The financial statements for Straker for FY16, FY17 and FY18 were audited by BDO Auckland in accordance with International Standards on Auditing (New Zealand) (**IASs (NZ)**) who issued an unqualified audit opinion.

The Pro forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information to illustrate the net income, assets, liabilities and cash flows of the consolidated group adjusted for certain pro forma amounts.

The Pro Forma Historical Financial Information has been presented on a comparable basis to the Pro Forma Forecast Financial Information and has been adjusted to reflect the impact of:

- incremental costs of being a publicly listed entity including relevant costs associated with the Legacy ESOP Scheme and the LTI ESOP Scheme;
- the acquisition of MSS as if acquired on 1 April 2015;
- the acquisition of Eule as if acquired on 1 April 2015;
- the impact of the Offer including capital raised and Offer costs, and the capital structure in place following the IPO;
- eliminating certain items inconsistent with the future operating structure of the Company; and
- the income tax effect of the above pro forma adjustments and to record historical tax expense as if the post-Offer structure were in place from 1 April 2015.

Investors should note that past results are not a guarantee of future performance.

4.2.2 Treatment of acquisitions in the Historical and Forecast Financial Information

4.2.2.1. Acquisitions made prior to 31 March 2018

The Pro Forma Financial Information does not include pro forma adjustments relating to the Eurotext and Elanex acquisitions prior to the date of acquisition as they were acquired more than 12 months prior to the last audited accounts at 31 March 2018. These have been included in the Financial Information from the date of acquisition being October 2016 and February 2017, respectively. As such, the FY18 audited accounts reflect the full year contribution from Eurotext and Elanex.

4.2.2.2. Acquisitions made post 31 March 2018

Acquisition of MSS

On 1 June 2018 Straker acquired 100% of the shares in MSS, a company incorporated in Spain. The main activity of the company is the provision of translation services. Straker has had the accounts audited by a registered audit firm, G.N.L Russell & Bedford, for the financial years ended 31 March 2017 and 31 March 2018. The financial results for FY16 have not been audited but have been prepared by Straker's management and reviewed by the Investigating Accountant.

The financial results of MSS for the period prior to 1 June 2018 have been included in the Pro forma Historical Income Statements and the Pro forma Historical Cash Flows of Straker for FY16, FY17 and FY18 based on the audited and reviewed financial statements for those years, adjusted for the elements of the business that did not continue to operate in a manner consistent with the historical operating structure after the acquisition.

The acquisition price of MSS is estimated to be NZ$4.5 million, of which NZ$3.2 million will have been paid by Completion of the Offer and the balance of NZ$1.3 million to be settled, on a contingent basis, over a 2-year period from acquisition date.

As a result of the acquisition closing so close to the listing date and without complete financial information, a Purchase Price Allocation (**PPA**) under *IFRS 3 – Business Combinations* has not been completed for the acquisition of MSS. When preparing the Pro forma Financial Information, Straker has allocated the purchase price to the book values of MSS's assets and liabilities with the resultant balance being applied to goodwill. Straker will undertake a full evaluation of the identifiable intangible assets acquired by its balance date of 31 March 2019, in accordance with IFRS 3. Straker has taken up NZ$2.4 million of intangible assets (including NZ$2.38 million of goodwill and NZ$0.04 million of other unidentified intangible assets) and NZ$2.1 million of cash, plant and equipment and working capital. The goodwill amount as currently presented includes any fair value movements of assets and liabilities as well as value of identified intangible assets. The goodwill and the assets and liabilities are reported as provisional amounts and are reflected in the Pro forma Historical Balance Sheet at 31 March 2018 as shown in Section 4.11.

Acquisition of Eule

On 1 July 2018 Straker acquired 100% of the shares in Eule, a Company incorporated in Germany. The main activity of the Company is the provision of translation services. Eule's accounts for the financial years ended 31 March 2016, 31 March 2017 and 31 March 2018 have been prepared by Straker's management and reviewed by the Investigating Accountant to ensure that the financial statements were consistent with NZ IFRS and in accordance with AAS and IFRS.

The financial results of Eule for the period prior to 1 July 2018 have been included in the Pro forma Historical Income statements and the Pro forma Historical Cash Flows of Straker for FY16, FY17 and FY18 based on reviewed financial statements for those years, adjusted for the elements of the business that did not continue to operate in a manner consistent with the historical operating structure after the acquisition.

The acquisition price of Eule is estimated to be NZ$2.2 million, NZ$1.2 million will have been paid by Completion of the Offer (NZ$0.2 million was paid by way of shares issued by Straker), and the balance of NZ$1.0 million to be settled, on a contingent basis, over a 2-year period from acquisition date.

As a result of the acquisition closing so close to the listing date and without complete financial information, a PPA under *IFRS 3 – Business Combinations* has not been completed for the acquisition of Eule. When preparing the Pro forma Financial Information, Straker has allocated the purchase price to the book values of Eule's assets and liabilities with the resultant balance being applied to goodwill. Straker will undertake a full evaluation of the identifiable intangible assets acquired by its balance date of 31 March 2019, in accordance with IFRS 3. Straker has taken up NZ$1.4 million of intangible assets (including NZ$1.3 million of goodwill and NZ$0.1 million of other unidentified intangible assets) and NZ$0.8 million of cash, plant and equipment and working capital. The goodwill amount as currently presented includes any fair value movements of assets and liabilities as well as value of identified intangible assets. The goodwill and the assets and liabilities are reported as provisional amounts and are reflected in the Pro forma Historical Balance Sheet at 31 March 2018 as shown in Section 4.11.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by Straker based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the Directors' best estimate specific assumptions set out in Section 4.17.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Straker's actual financial performance or financial position. Investors are advised to review the assumptions set out in Sections 4.17 in conjunction with the sensitivity analysis set out in Section 4.19, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Pro forma Forecast Income Statement and the Pro forma Forecast Cash Flows for Straker have been derived from the Statutory Forecast Income Statements and the Statutory Forecast Cash Flow statements after adjusting for pro forma adjustments to reflect the Group's operations following Completion of the Offer as set out in Sections 4.5 and 4.9.

The Pro forma Forecast Income Statement, which is set out in Section 4.5, differs from the Statutory Forecast Income Statement because the Pro forma Forecast Income Statements reflect the full year effect of the operating and equity structure that will be in place on Completion of the Offer, but exclude costs directly attributable to the Offer and other non-operating items. Refer to Section 4.7 for reconciliations between the Statutory and Pro forma Forecast Income Statements.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Non-IFRS financial measures

Straker uses certain measures to manage and report on its business that are neither recognised under New Zealand Generally Accepted Accounting Practices (NZ GAAP), nor under AAS or IFRS. These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under NZ GAAP or AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with NZ GAAP, AAS or IFRS. Although Straker believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus. In the disclosures in this Prospectus, Straker uses the following non-IFRS financial measures:

- **Translation revenue:** revenue generated from collecting contracted revenues from customers for translation services provided;
- **Cost of sales:** primarily relate to the variable costs of Straker's freelance translation contractors who carry out translation services. Cost of sales does not include other indirect costs, nor does it include an allocation of overheads;
- **Gross profit:** total revenue less Cost of sales;
- **Gross profit margin:** gross profit divided by revenue expressed as a percentage;
- **Other income/expenses:** relates to ad-hoc consulting services;
- **Adjusted EBITDA:** EBITDA adjusted for acquisition expenses and non-operating items;
- **Acquisition expenses:** transaction costs directly related to the acquisitions of subsidiaries including adviser fees, legal fees, travel and other related expenses;
- **Non-operating expenses:** one-off and non-recurring expenses;
- **EBITDA:** earnings before interest, tax, depreciation and amortisation;
- **Amortisation of acquired intangibles:** relates to amortisation of acquired identifiable intangible assets (customer contracts) from acquisitions of subsidiaries;
- **EBIT:** earnings before interest and tax;
- **Net finance income:** finance income including interest income on loans and receivables and fair value gain on adjustments to earnout liabilities, less finance expenses including interest expense on liabilities;
- **Capitalised development:** capitalised costs directly associated with the production and development of software;
- **Payments for plant and equipment:** investment in property, plant and equipment including leasehold improvements and IT equipment;
- **Payments for acquisitions of subsidiaries:** costs paid for acquired business units as part of Straker's acquisition strategy;
- **Working capital:** trade and other receivables, other current assets, accounts payable, sundry creditors and accruals and other current liabilities;
- **Adjusted EBITDA margin:** Adjusted EBITDA expressed as a percentage of total revenue;
- **EBITDA margin:** EBITDA expressed as a percentage of total revenue;
- **Operating cash flow:** EBITDA after the removal of non-cash items in EBITDA such as bad debts and changes in working capital;
- **Free cash flow:** Operating cash flow less capitalised development and other capital expenditure;
- **Days Sales Outstanding (DSO):** the number of days it takes to convert recognised revenue into cash;
- **Business as Usual (BAU):** Organic business activity less investments and other noted material adjustments for the normal execution of business operations;
- **Organic:** Like for like business activity from increased sales activity, margin or cost changes that does not relate to acquisition activity (inorganic) – impact of acquisitions is classified as organic only for the like for like periods in which Straker has owned the business; and
- **Impact of acquisitions:** Part or full year impact of acquisition activity.

4.2.5 Foreign currency

- Straker transacts in currencies other than Straker's reporting currency, the New Zealand Dollar, most notably the United States Dollar (USD) and the Euro. Straker's sales are made primarily in USD and Euros and the Company's Cost of sales (translator costs) are also mainly in USD or Euros. Straker, therefore, has a natural hedge as a result within its gross profit margin. Straker's operating expenses are incurred primarily in New Zealand Dollars. Straker's directors have considered the currency exposure of the Company and are satisfied that the functional currency of the Company is the New Zealand Dollar.
- Outside of the natural hedge with its Gross profit margin, Straker has not historically hedged its foreign currency exposure and as a result Straker's earnings are exposed to the net impact of movements in foreign exchange rates on Straker's 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 potential impact on Adjusted EBITDA of movements in the USD and the Euro over the forecast period is considered in Section 4.19.
- Straker has foreign currency bank accounts receivables and payables that are denominated in a currency other than Straker's reporting currency, being the New Zealand dollar. Any foreign exchange rate movements in respect of the transactional currency, in which the net investment in foreign subsidiaries are held, are recognised as both realised and unrealised foreign exchange gains or losses in the Income Statement under finance income or expense.

4.3 Statutory historical income statements and forecast

Set out in Figure 4.3.1 is a summary of the Statutory Historical Income Statements for Straker for FY16, FY17 and FY18 which have been extracted from the statutory financial statements of Straker and the Statutory Forecast Income Statement for FY19. Refer to Appendix A of the Prospectus for a summary of Straker's significant accounting policies.

Figure 4.3.1: Statutory Historical and Statutory Forecast Income Statements

NZ$('000)		Statutory Historical[1]			Statutory Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Translation revenue	2	10,028	11,802	17,027	23,482
Total revenue		**10,028**	**11,802**	**17,027**	**23,482**
Cost of sales		(3,859)	(5,176)	(7,736)	(10,259)
Gross profit		**6,169**	**6,626**	**9,291**	**13,223**
Selling and distribution expenses		(4,345)	(5,356)	(6,923)	(8,102)
General and administration expenses		(2,635)	(3,104)	(3,799)	(5,321)
Total operating expenses		**(6,980)**	**(8,460)**	**(10,722)**	**(13,423)**
Total other income/expenses	3	6	–	5	–
Adjusted EBITDA	4	**(805)**	**(1,834)**	**(1,426)**	**(199)**
Acquisition expenses	5	–	(314)	(195)	(300)
Non-operating expenses	6	–	–	(237)	(1,868)
EBITDA	4	**(805)**	**(2,149)**	**(1,858)**	**(2,367)**
Depreciation		(68)	(71)	(70)	(93)
Amortisation		–	(96)	(235)	(335)
Amortisation of acquired intangibles	7	–	(92)	(376)	(392)
EBIT	4	**(872)**	**(2,408)**	**(2,539)**	**(3,188)**
Net finance income	8	103	(255)	915	24
Profit before taxation		**(769)**	**(2,663)**	**(1,624)**	**(3,163)**
Income tax (expense)/benefit		–	(18)	100	621
Statutory NPAT		**(769)**	**(2,680)**	**(1,524)**	**(2,542)**
Foreign currency translation differences		(190)	103	(71)	–
Total Comprehensive Income attributable to the owners		**(959)**	**(2,577)**	**(1,595)**	**(2,542)**

Notes:

1. The statutory income statement was extracted from the FY16, FY17 and FY18 Straker's audited financial statements.
2. Translation revenue is revenue generated from collecting contracted revenues from customers for translation services provided.
3. Other income and expenses relates to consulting services.
4. Refer to Section 4.2.4 for explanations of non-IFRS and other financial measures.
5. Acquisition expenses includes transaction expenses directly related to the acquisitions of subsidiaries.
6. Non-operating expenses include one-off and non-recurring expenses that are not considered part of the underlying operations of Straker. Included in FY19 are the Offer costs related to financial advisory fees, and accounting and legal consulting costs in relation to the Straker primary capital raise. In FY19, of the NZ$3.33 million (AU$3.06 million) total Offer costs, NZ$1.81 million relates to the listing and has been expensed in the Statutory Forecast Income Statement. The remaining NZ$1.52 million are directly attributable to the issue of new Shares under the Offer and will be offset against equity raised in the Offer. The Offer costs presented are costs borne solely by Straker and do not include transaction costs borne by SaleCo.
7. Amortisation of acquired intangible relates to amortisation of acquired identifiable intangible assets (customer relationships) from acquisitions of subsidiaries.
8. Net finance income includes interest income on loans and receivables and fair value gain on adjustments to earnout liabilities, less finance expenses including interest expense on liabilities.

4.4 Key statutory financial metrics

Figure 4.4.1 is a summary of Straker's key statutory historical financial metrics for FY16, FY17, FY18 and the key forecast statutory financial metrics for FY19.

Figure 4.4.1: Summary of Key Statutory Historical and Statutory Forecast Financial Metrics

		Statutory Historical			Statutory Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Financial metrics[1]					
Statutory revenue growth (%)		n.a	17.7%	44.3%	37.9%
Statutory gross profit margin (%)		61.5%	56.1%	54.6%	56.3%
Selling and distribution expenses spend % of revenue		43.3%	45.4%	40.7%	34.5%
General and administration spend % of revenue		26.3%	26.3%	22.3%	22.7%
Statutory adjusted EBITDA margin (%)		(8.0%)	(15.5%)	(8.4%)	(0.8%)
Days Sales Outstanding	2	56	52	55	56
Revenue from repeat customers %	3	59.6%	68.2%	77.3%	81.2%

Notes:
1. Refer to Section 4.2.4 for explanations of non-IFRS and other financial measures.
2. Days Sales Outstanding is the number of days it takes to convert recognised revenue into cash.
3. Revenue from repeat customers is defined as customers who have previously placed an order with the Straker business.

4.5 Pro forma historical income statements and pro forma forecast income statements

Set out below in Figure 4.5.1 is a summary of Straker's Pro forma Historical Income Statement for FY16, FY17, FY18 and the Pro forma Forecast Income Statement for FY19. In presenting the Pro forma Historical Income Statements included in Section 4, certain adjustments to the audited Statutory Historical Income Statements have been made to include the impact the acquisition of MSS and Eule and incremental costs of operating a public company as if these events had occurred on 1 April 2015 as well as one-off costs relating to the Offer. These pro forma adjustments are summarised in Figures 4.7.1a and 4.7.1b for the Historical Income Statements for FY16, FY17, FY18 and the Forecast Income Statements for FY19.

Figure 4.5.1: Summary of Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

NZ$('000)		Pro forma Historical[1]			Pro forma Forecast[2]
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Translation revenue	3	17,130	18,313	23,424	24,890
Total revenue		**17,130**	**18,313**	**23,424**	**24,890**
Cost of sales		(7,164)	(8,311)	(10,712)	(10,929)
Gross profit		**9,966**	**10,001**	**12,712**	**13,961**
Selling and distribution expenses		(6,467)	(7,491)	(8,867)	(8,529)
General and administration expenses		(4,223)	(4,669)	(5,374)	(5,936)
Total operating expenses		**(10,690)**	**(12,160)**	**(14,241)**	**(14,465)**
Total other income/expenses	4	6	–	5	(23)
Adjusted EBITDA	5	**(717)**	**(2,158)**	**(1,524)**	**(527)**
Acquisition expenses		–	–	–	–
Non-operating income/(expenses)	6	–	38	(294)	(60)
EBITDA	5	**(717)**	**(2,120)**	**(1,817)**	**(587)**
Depreciation		(124)	(137)	(137)	(107)
Amortisation		–	(96)	(235)	(335)
Amortisation of acquired intangibles	7	–	(92)	(376)	(392)
EBIT	5	**(841)**	**(2,445)**	**(2,565)**	**(1,422)**
Net finance income	8	83	(229)	(160)	24
Profit before taxation		**(759)**	**(2,674)**	**(2,725)**	**(1,398)**
Income tax (expense)/benefit	9	(2)	77	443	221
Pro forma NPAT		**(761)**	**(2,597)**	**(2,282)**	**(1,176)**
Foreign currency translation differences		(190)	103	(71)	–
Total Comprehensive Income attributable to the owners		**(951)**	**(2,494)**	**(2,353)**	**(1,176)**

Notes:

1. The Pro forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.7.
2. The Pro forma Forecast Income Statements are reconciled to the Statutory Forecast Income Statements in Section 4.7.
3. Translation revenue is revenue generated from collecting contracted revenues from customers for translation services provided and includes MSS and Eule.
4. Other income and expenses relates to consulting services.
5. Refer to Section 4.2.4 for explanations of non-IFRS and other financial measures.
6. Non-operating income/expenses include one-off and non-recurring income/expenses that are not part of the underlying operations of Straker.
7. Amortisation of acquired intangibles relates to amortisation of acquired identifiable intangible assets (customer relationships) from acquisitions of subsidiaries.
8. Net finance income includes interest income on loans and receivables and fair value gain on adjustments to earnout liabilities, less finance expenses including interest expense on liabilities.
9. Income tax expense included in the Financial Information has been adjusted to reflect the assumption of an effective corporate tax rate of 28% applied to the pro forma profit before tax.

4.6 Key pro forma financial metrics

Figure 4.6.1 is a summary of Straker's key Pro forma Historical Financial metrics for FY16, FY17, FY18 and the key Pro forma Forecast Financial metrics for FY19.

Figure 4.6.1: Summary of Key Full Year Pro Forma Historical and Pro Forma Forecast Financial Metrics

		Pro forma Historical			Pro forma Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Financial metrics	1				
Pro forma revenue growth (%)		n.a	6.9%	27.9%	6.3%
Pro forma gross profit margin (%)		58.2%	54.6%	54.3%	56.1%
Selling and distribution spend % of revenue		37.8%	40.9%	37.9%	34.3%
General and administration spend % of revenue		24.7%	25.5%	22.9%	23.9%
Pro forma adjusted EBITDA margin (%)		(4.2%)	(11.8%)	(6.5%)	(2.1%)
Days Sales Outstanding	2	56	51	57	57
Revenue from repeat customers %	3	76.3%	79.5%	83.5%	82.3%

Notes:

1. Refer to Section 4.2.4 for explanations of non-IFRS and other financial measures.
2. Days Sales Outstanding is the number of days it takes to convert recognised revenue into cash.
3. Revenue from repeat customers is defined as customers who have previously placed an order with the Straker business.

4.7 Pro forma adjustments to the statutory income statements and the statutory forecast income statement

In presenting the Pro forma Historical Income Statements included in Section 4, certain adjustments to the audited statutory income statements have been made. These include the impact the acquisition of MSS and Eule and incremental costs of operating a public company as if these events had occurred on 1 April 2015 as well as one-off costs relating to the Offer as if it occurred on 1 April 2015. These pro forma adjustments are summarised below in Figure 4.7.1 for the Historical Income Statements for FY16, FY17, FY18 and the Forecast Income Statements for FY19.

Figures 4.7.1: Pro Forma Adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statement

Figure 4.7.1a: Pro forma adjustments to the Statutory Historical Revenues for FY16, FY17 and FY18, and the Statutory Forecast Revenue for FY19

NZ$('000)		Historical			Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Statutory revenue		**10,028**	**11,802**	**17,027**	**23,482**
Net impact of MSS acquisition	1,3	3,406	3,136	3,251	491
Net impact of Eule acquisition	2,3	3,697	3,374	3,147	917
Pro forma revenue		**17,130**	**18,313**	**23,424**	**24,890**

Notes:

1. Straker completed the acquisition of MSS on 1 June 2018 and the pro forma adjustment reflects the historical reported revenue of MSS as if acquired on 1 April 2015.
2. Straker completed the acquisition of Eule on 1 July 2018 and the pro forma adjustment reflects the historical reported revenue of Eule as if acquired on 1 April 2015.
3. Pro forma adjustments reflect the forecast earnings for the periods within FY19 that Straker did not own MSS (1 April 2018 to 30 May 2018) and Eule (1 April 2018 to 30 June 2018).

Figure 4.7.1b: Pro forma adjustments to the Statutory Historical Adjusted EBITDA Results for FY16, FY17 and FY18, and the Statutory Forecasts for FY19

NZ$('000)		Historical			Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Statutory Adjusted EBITDA		**(805)**	**(1,834)**	**(1,426)**	**(199)**
Net impact of MSS acquisition	1,5	393	177	475	5
Net impact of Eule acquisition	2,5	390	195	123	58
Incremental public company costs	3	(696)	(696)	(696)	(391)
Pro forma Adjusted EBITDA		**(717)**	**(2,158)**	**(1,524)**	**(527)**
Non-operating expenses	4	–	38	(294)	(60)
Pro forma EBITDA		**(717)**	**(2,120)**	**(1,817)**	**(587)**

Notes:

1. Straker completed the acquisition of MSS with an effective acquisition date of 1 June 2018 and the pro forma adjustment reflects the historical Adjusted EBITDA of MSS.
2. Straker completed the acquisition of Eule with an effective acquisition date of 1 July 2018 and the pro forma adjustment reflects the historical Adjusted EBITDA of Eule.
3. Incremental public company costs represent Straker's estimate of the incremental costs of operating as a publicly listed company, inclusive of Director's fees, production of annual reports, holding an annual general meeting, company secretarial and legal costs, annual listing fees and other costs. The Pro forma Historical and Pro forma Forecast Income Statements are adjusted to include the incremental costs of being listed from 1 April 2015 through to Completion.
4. Non-operating expenses relating to one-off and non-recurring expenses including restructuring costs.
5. Pro forma adjustments reflect the forecast earnings for the periods within FY19 that Straker did not own MSS (1 April 2018 to 30 May 2018) and Eule (1 April 2018 to 30 June 2018).

NZ$('000) Year ended 31 March	Notes	Historical FY16	FY17	FY18	Forecast FY19
Statutory NPAT		(769)	(2,680)	(1,524)	(2,542)
Net impact of MSS acquisition	1	271	173	278	4
Net impact of Eule acquisition	2	239	97	(21)	42
Offer Costs	3	–	–	–	1,808
Incremental public company costs	4	(696)	(696)	(696)	(391)
Acquisition expenses	5	–	314	195	300
Pro forma tax adjustment	6	195	195	470	(397)
Deferred consideration fair value adjustment	7	–	–	(984)	–
Pro forma NPAT		(761)	(2,597)	(2,282)	(1,176)

Notes:

1. Straker completed the acquisition of MSS with an effective acquisition date of 1 June 2018 and the pro forma adjustment reflects the historical NPAT of MSS.
2. Straker completed the acquisition of Eule with an effective acquisition date of 1 July 2018 and the pro forma adjustment reflects the historical NPAT of Eule.
3. Offer costs relate to the expensed portion of the total Offer costs incurred by Straker only (and not SaleCo) including lead manager, adviser, accounting and legal fees and have been reversed as a non-recurring item.
4. Incremental public company costs represent Straker's estimate of the incremental costs of operating as a publicly listed company, inclusive of Director's fees, production of annual reports, holding an annual general meeting, company secretarial and legal costs, annual listing fees and other costs.
5. Acquisition expenses includes transaction expenses directly related to the acquisitions of subsidiaries.
6. Income tax expense included in the Financial Information has been adjusted to reflect the assumption of an effective corporate tax rate of 28% applied on the pro forma adjustments in note 3 and 4.
7. The deferred consideration fair value adjustment related to a write-off payment on the Elanex acquisition in FY18. The payment was contingent on reaching certain revenue targets that were not achieved. This has been removed as a one-off item.

4.8 Statutory historical and statutory forecast cash flows

Set out in Figure 4.8.1 is a summary of the Statutory Historical Cash Flows for FY16, FY17, FY18 and the Statutory Forecast Cash Flows for FY19.

Figure 4.8.1: Statutory Historical and Forecast Cash Flow Statements

NZ$('000)		Statutory Historical			Statutory Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Adjusted EBITDA	1	(805)	(1,834)	(1,426)	(199)
Non-cash items in Adjusted EBITDA	2	13	59	52	–
Non-operating expenses	3	–	–	(237)	(60)
Changes in working capital		(772)	34	342	(802)
Operating cash flow		**(1,564)**	**(1,741)**	**(1,269)**	**(1,062)**
Capitalised development costs	4	(346)	(548)	(626)	(663)
Payments for plant and equipment	5	(93)	(86)	(52)	(72)
IPO costs	6	–	–	(44)	–
Free cash flow before investing, financing and tax		**(2,003)**	**(2,376)**	**(1,992)**	**(1,796)**
Payments for acquisitions of subsidiaries	7	–	(1,421)	(195)	(2,463)
Income tax paid		–	(18)	–	621
Net interest income/(expense)		103	(167)	31	24
Payment of deferred consideration	8	–	–	(1,001)	(855)
Ordinary shares redeemed	9	–	(1,000)	(3,082)	–
Proceeds from issue of shares	10	6,196	5,000	11,272	20,000
Cost of share issue	11	(485)	(2)	(492)	(3,282)
Loans repaid	12	(1,007)	–	–	–
Net cash flow		**2,803**	**16**	**4,540**	**12,249**

Notes:

1. EBITDA adjusted for acquisition expenses and non-operating items.
2. Non-cash items in Adjusted EBITDA relate to share options, asset write offs and bad debts.
3. Non-operating expenses include restructuring costs and one-off consultancy costs.
4. Capitalised development costs include the capitalised portion of wages and salaries of software developers paid to employee and apportioned overheads related to the R&D department.
5. Payments for plant and equipment includes computer equipment and property, plant and equipment and leasehold improvements.
6. IPO costs relate to IPO related expenses paid out in FY18.
7. Payments for acquisitions of subsidiaries includes upfront cash consideration paid for acquired companies.
8. Payment of deferred consideration in FY18 and FY19 relates to deferred consideration on Elanex and Eule acquisitions.
9. Ordinary shares redeemed relates to repayment of proceeds to existing shareholders. In FY17, a share buyback was executed for NZ$1.0 million while NZ$3.1 million was redeemed in FY18. In both cases, the benefactors of share buy backs were founders and management who are long-term shareholders in the company.
10. Proceeds from issue of shares relate to funds received from shareholders from the company issuing shares. In FY17, the proceeds from the issue of shares related to preference shareholders increasing their holding in Straker, and the proceeds were primarily used to carry out the company's acquisition strategy and for working capital management. In FY18, the proceeds related to the issue of ordinary shares to pre-IPO investors and the primary use of the funds were used to continue the company's acquisition strategy. FY19 relates to proceeds from the IPO.
11. Costs of share issue of capital raisings relate to financial advisory fees, and accounting and legal consulting costs. In FY19, of the NZ$3.33 million (AU$3.06 million) total Offer costs, NZ$1.52 million are directly attributable to the issue of new Shares under the Offer and will be offset against equity raised in the Offer, and the remaining NZ$1.81 million relates to the listing and has been expensed in the Statutory Forecast Income Statement. Of the capitalised Offer costs, NZ$0.3 million was incurred (and NZ$0.04 million paid for) in FY18, while NZ$1.2 million will be incurred in FY19. The Offer costs presented are costs borne solely by Straker and do not include transaction costs borne by SaleCo.
12. Loans repaid in FY16 relate to the repayment of a convertible equity note for NZ$1.0 million.

4.9 Pro forma historical and pro forma forecast cash flows

Set out in Figure 4.9.1 is a summary of the Pro forma Historical Cash Flows for FY16, FY17, FY18 and the Pro forma Forecast Cash Flows for FY19.

Figure 4.9.1: Pro Forma Historical and Pro Forma Forecast Cash Flow Statements

NZ$('000)		Pro forma Historical			Pro forma Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Adjusted EBITDA	1	**(717)**	**(2,158)**	**(1,524)**	**(527)**
Non-cash items in Adjusted EBITDA	2	13	59	52	–
Non-operating expenses	3	–	–	(237)	(60)
Changes in working capital		(1,046)	151	271	(512)
Operating cash flow		**(1,751)**	**(1,948)**	**(1,438)**	**(1,100)**
Capitalised development costs	4	(346)	(548)	(658)	(719)
Payments for plant and equipment	5	(105)	(101)	(107)	(41)
IPO costs		–	–	–	–
Free cash flow before investing, financing and tax		**(2,202)**	**(2,597)**	**(2,203)**	**(1,859)**
Payments for acquisitions of subsidiaries		–	–	–	–
Income tax paid		(2)	77	68	221
Net interest income/(expense)		83	(167)	31	24
Payment of deferred consideration		–	–	–	–
Ordinary shares redeemed	6	–	(1,000)	(3,082)	–
Proceeds from issue of shares	7	6,196	5,000	11,272	–
Cost of share issue	8	(485)	(2)	(492)	–
Loans repaid	9	(1,007)	–	–	–
Net cash flow		**2,582**	**1,311**	**5,593**	**(1,613)**

Notes:
1. Pro Forma Adjusted EBITDA has been adjusted to reflect the pro forma adjustments as set out in Section 4.7.
2. Non-cash items in Adjusted EBITDA relate to share options, asset write offs and bad debts.
3. Non-operating expenses include restructuring costs and one-off consultancy costs.
4. Capitalised development costs include the capitalised portion of wages and salaries of software developers paid to employee and apportioned overheads related to the R&D department.
5. Payments for plant and equipment includes computer equipment and property, plant and equipment and leasehold improvements.
6. Ordinary shares redeemed relates to repayment of proceeds to existing shareholders. In FY17, a share buyback was executed for NZ$1.0 million while NZ$3.1 million was redeemed in FY18. In both cases, the benefactors of share buy backs were founders and management who are long-term shareholders in the company.
7. Proceeds from issue of shares relate to funds received from shareholders from the company issuing shares. In FY17, the proceeds from the issue of shares related to preference shareholders increasing their holding in Straker, and the proceeds were primarily used to carry out the company's acquisition strategy and for working capital management. In FY18, the proceeds related to the issue of ordinary shares to pre-IPO investors and the primary use of the funds were used to continue the company's acquisition strategy.
8. Costs of share issue of capital raisings relate to financial advisory fees, and accounting and legal consulting costs.
9. Loans repaid relate to the repayment of a convertible equity note for NZ$1.0 million.

4.10 Pro forma adjustments to the statutory historical cash flows and the statutory forecast cash flows

Figure 4.10.1 sets out the adjustments that have been made to the Statutory Historical Cash Flows for FY16, FY17 and FY18 and the Forecast Cash Flows for FY19 to eliminate certain items which do not relate to the operations of the Group after the completion of the Offer.

Figure 4.10.1: Pro Forma Adjustments to the Statutory Historical Cash Flows for FY16, FY17, FY18 and the Forecast Statutory Cash Flows for FY19

NZ$('000)		Historical			Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Statutory net cash flow		**2,803**	**16**	**4,540**	**12,249**
Net impact of MSS acquisition	1	209	2	130	(38)
Net impact of Eule acquisition	2	71	58	(12)	63
Incremental public company costs	3	(696)	(696)	(696)	(391)
IPO expenses	4	–	–	44	–
Acquisitions expenses	5	–	314	195	300
Payments for acquisitions of subsidiaries	6	–	1,421	195	2,463
Payment of deferred consideration	7	–	–	1,001	855
Offer Proceeds	8	–	–	–	(20,000)
Costs of Offer	9	–	–	–	3,282
Pro forma tax adjustment	10	195	195	195	(397)
Pro forma net cash flow		**2,582**	**1,311**	**5,593**	**(1,613)**

Notes:
1. Reflects the net cash flows relating to MSS which includes Adjusted EBITDA, working capital movements and capital expenditure.
2. Reflects the net cash flows relating to Eule which includes Adjusted EBITDA, working capital movements and capital expenditure.
3. Incremental public company costs represent Straker's estimate of the incremental costs of operating as a publicly listed company, inclusive of Directors' fees, production of annual reports, holding an annual general meeting, company secretarial and legal costs and other costs from the time of listing. The Pro forma Historical and Pro forma Forecast Cash Flows are adjusted to include the incremental costs of being listed from 1 April 2015 through to Completion.
4. IPO expenses relate to IPO related costs paid for in FY18 have been removed as a non-recurring item.
5. Acquisition expenses reflects non-recurring transaction costs incurred during the course of acquiring Elanex, Eurotext, MSS and Eule as well as costs incurred to integrate work via the RAY Translation Platform.
6. Represents the reversal of payments for acquisitions of subsidiaries includes upfront cash consideration paid for acquiring companies.
7. Represents the reversal of payments of deferred consideration relates to deferred consideration on Elanex and Eule acquisitions.
8. Represents the reversal of proceeds from issue of shares relate to funds received from shareholders from the company issuing new shares under the Offer.
9. Costs including broker, adviser, legal, accounting and travel expenses relating to the Offer that have been borne solely by Straker and do not include transaction costs borne by SaleCo. These have been reversed as a non-recurring item.
10. Tax adjustment reflects the pro forma adjustments expensed in the income statement net of 28% tax.

4.11 Statutory historical balance sheet and pro forma historical balance sheet

Figure 4.11.1 below presents the audited balance sheet of Straker as at 31 March 2018 adjusted to reflect the impact of the Offer and the impact of the acquisitions of MSS and Eule as if they had taken place as at 31 March 2018.

The post-Offer Pro forma Historical Balance Sheet is provided for illustrative purposes and is not represented as being indicative of Straker's view of its potential future financial position.

Figure 4.11.1: Pro Forma Historical Balance Sheet as at 31 March 2018

Year ended 31 March	Notes	Statutory 31 March 2018	Impact of the Offer	MSS acquisition	Eule acquisition	Pro forma 31 March 2018
Assets						
Current assets						
Cash and cash equivalents	1,2,3	7,824	16,718	(1,549)	(554)	22,438
Trade and other receivables		1,995	–	631	692	3,317
Other current assets	1,2,3	1,216	(290)	210	72	1,207
Total current assets		**11,034**	**16,427**	**(708)**	**209**	**26,963**
Non-current assets						
Goodwill	2,3	2,218	–	2,377	1,313	5,908
Other intangible assets	2,3	2,902	–	38	56	2,996
Plant and equipment	2,3	110	–	21	50	182
Deferred tax assets	4	–	931	–	–	**931**
Total non-current assets		**5,230**	**931**	**2,436**	**1,420**	**10,017**
Total assets		**16,264**	**17,359**	**1,728**	**1,629**	**36,979**
Liabilities						
Current liabilities						
Accounts payable	2,3	510	–	195	216	921
Sundry creditors and accruals	1,2,3	1,801	(246)	246	266	2,067
Employee provisions		223	–	–	–	223
Deferred consideration	5	768	–	–	86	855
Total current liabilities		**3,303**	**(246)**	**441**	**568**	**4,066**
Non-current liabilities						
Deferred consideration	5	462	–	1,286	888	2,636
Deferred tax liability		444	–	–	–	444
Total non-current liabilities		**906**	–	**1,286**	**888**	**3,080**
Total liabilities		**4,209**	**(246)**	**1,728**	**1,456**	**7,147**
Net assets		**12,055**	**17,605**	**–**	**172**	**29,833**
Equity						
Share capital	1	21,402	18,907	–	172	40,481
Foreign currency translation reserve		(30)	–	–	–	(30)
Share option reserve	6	121	104	–	–	225
Accumulated losses	6,7	(9,438)	(1,406)	–	–	(10,844)
Total equity		**12,055**	**17,605**	–	**172**	**29,833**

Notes to Figure 4.11.1:

1. Cash and Equity increase reflecting the primary equity raised through proceeds of the Offer of NZ$20.0 million (AU$18.4 million) less NZ$3.3 million (AU$3.1 million) costs of the Offer. At balance date, an amount of NZ$0.3 million was accrued and deferred relating to IPO transaction costs. This amount was released from the balance sheet as it is included in the NZ$1.5 million transaction costs offset against equity. Of this amount, NZ$0.04 million (i.e. NZ$44,000) was paid in cash in FY18 which has been added back to the cash balance. The Offer costs presented are costs borne solely by Straker and do not include transaction costs borne by SaleCo.
2. The net impact of the MSS acquisitions has been adjusted. As a result of the acquisition closing so close to the listing date and without complete financial information, a PPA has not been completed for the acquisition of MSS. When preparing the Pro forma Financial Information, Straker has allocated the purchase price to the book values of MSS's assets and liabilities with the resultant being applied to goodwill. Straker will undertake a full evaluation of the identifiable intangible assets acquired, such as customer relationship assets, by balance date 31 March 2019, in accordance with IFRS 3, accounting for business combinations. The acquisition price of MSS is estimated to be NZ$4.5 million, of which NZ$3.2 million will have been paid by Completion of the Offer and the balance of NZ$1.3 million to be settled, on a contingent basis, over a 2-year period from acquisition date. The net cash impact of the MSS acquisition is (NZ$1.5 million).
3. The net impact of the Eule acquisitions has been adjusted. As a result of the acquisition closing so close to the listing date and without complete financial information, a PPA has not been completed for the acquisition of Eule. When preparing the Pro forma Financial Information, Straker has allocated the purchase price to the book values of Eule's assets and liabilities with the resultant being applied to goodwill. Straker will undertake a full evaluation of the identifiable intangible assets acquired, such as customer relationship assets, by balance date 31 March 2019, in accordance with IFRS 3, accounting for business combinations. The acquisition price of Eule is estimated to be NZ$2.2 million, NZ$1.2 million will have been paid by Completion of the Offer, NZ$0.2 million was paid by way of shares issued by Straker and the balance of NZ$1.0 million to be settled, on a contingent basis, over a 2-year period from acquisition date. The net cash impact of the Eule acquisition is (NZ$0.6 million).
4. Deferred tax asset adjustment represents the recognition of deferred tax assets that arise as a result of the payment of IPO costs by the Group on Completion of the Offer (NZ$0.9 million).
5. Deferred consideration payments relating to the contingent portion of the consideration for MSS (NZ$1.3 million non-current deferred consideration) and Eule (NZ$0.1 million current deferred consideration and NZ$0.9m non-current deferred consideration)
6. The company has issued the board of directors and the executive team 108,500 share options. Management has estimated the impact to the profit and loss to be NZ$0.1 million which has been reflected under administration costs in FY19 as well as in the share option reserve.
7. Adjustment to accumulated losses reflects the Offer Costs expensed in the income statement net of 28% corporate tax.

4.12 Liquidity and capital sources

Following Completion of the Offer, Straker's principal sources of funds will be cash flow from operations and cash held at Completion of the Offer.

Straker expects that it will have sufficient cash flow from operations to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives. Straker's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions.

4.13 Reconciliation of capitalised development costs

Straker capitalises a proportion of employee costs and associated overheads relating to the development and enhancement of its proprietary 'RAY Translation Platform'. The capitalised costs are amortised on a straight-line basis over their useful lives, which are deemed to be a five-year period.

The total cost to the income statement in a year is the proportion of costs which are expensed (typically relating to research time and support of the RAY Translation Platform) and the amortisation expense.

The cash outflow includes both the amount capitalised in the Cash Flow Statement in that given year as well as the expense recognised in the income statement (ignoring any working capital impacts at the start and end of the year).

Figure 4.13.1: Reconciliation of Capitalised Development Costs

NZ$('000)		Pro forma Historical			Pro forma Forecast
Year ended 31 March	Notes	FY16	FY17	FY18	FY19
Income statement					
Amortisation of research and development	1	–	96	235	335
Research and development costs expensed	2	417	672	699	864
Total expense in the income statement		**417**	**768**	**934**	**1,199**
Cash flow					
Capitalised research and development	3	346	548	626	719
Research and development costs expensed	2	417	672	699	864
Total research and development costs in the cash flow statement		**763**	**1,220**	**1,325**	**1,583**

Notes:

1. Reflects the amortisation of previously capitalised developer costs.
2. Reflects the proportion of employee costs which are expensed in the income statement.
3. Reflects the level of development costs capitalised during the year.

4.14 Net cash/(indebtedness) and capitalisation

Figure 4.14.1 sets out the indebtedness of Straker as at 31 March 2018 on a statutory and Pro Forma basis, adjusted for the Pro Forma effect of the Offer and MSS and Eule Acquisitions, as if they had occurred on 31 March 2018.

Figure 4.14.1: Net Cash/(Indebtedness) and Capitalisation

NZ$('000) Year ended 31 March	Notes	Statutory 31 March 2018	Pro forma adjustments	Pro forma 31 March 2018
Cash and cash equivalents	1,2,3	7,824	14,615	22,438
Deferred consideration	4	(1,231)	(2,261)	(3,491)
Total Net Cash/(Indebtedness)		**6,593**	**12,354**	**18,947**
Common shares	5	21,402	19,079	40,481
Reserves		91	104	195
Accumulated losses	6	(9,438)	(1,406)	(10,844)
Total equity		**12,055**	**17,777**	**29,833**
Total Net Cash/(Indebtedness) and capitalisation		**18,649**	**30,131**	**48,780**

Notes:

1. The net Cash movement comprises notes 2 and 3 below:
2. Forecasted Net Offer Proceeds from the issue of new Shares under the Offer of NZ$16.7 million comprising NZ $20.0 million (AU$18.4 million) of funds raised less NZ$3.33 million (AU$3.06 million) of costs relating to the Offer, adjusted for NZ $0.04 million of Costs paid out in FY18. Of the NZ$3.33 million total Offer costs, NZ$1.52 million are directly attributable to the issue of new Shares under the Offer and will be offset against equity raised in the Offer, and the remaining NZ$1.81 million relates to the listing and has been expensed in the Statutory Forecast Income Statement. Of the capitalised Offer costs, NZ$0.3m was incurred (and NZ$0.04 million paid for) in FY18, while NZ$1.2 million will be incurred in FY19. The Offer costs presented are costs borne solely by Straker and do not include transaction costs borne by SaleCo.
3. Net cash deficit position relating to the MSS and Eule acquisitions of NZ$2.1 million after cash purchase consideration payments and existing cash on the acquired Company balance sheets. This Net cash deficit position comprised NZ$1.5 million relating to the MSS acquisition and NZ$0.6 million relating to the Eule acquisition.
4. Deferred consideration payments relating to the contingent portion of the consideration for MSS (NZ$1.3 million non-current deferred consideration) and Eule (NZ$0.1 million current deferred consideration and NZ$0.9 million non-current deferred consideration).
5. Common shares have been adjusted for the impact of the Offer less capitalised expenses (NZ$18.9 million) and NZ$0.2 million relating to the issue of shares as part of the Eule purchase consideration.
6. Accumulated losses include adjustments relating to Offer costs at a corporate income tax rate of 28% and the cost of share options expensed in FY19.

4.15 Contractual obligations and commitments

Figure 4.15.1 sets out a summary of Straker's contractual obligations and commitments following Completion.

Figure 4.15.1: Contractual Obligations and Commitments

NZ$('000)	Less than 1 year	1-5 years	More than 5 years	Total
Operating lease commitments	268	78	–	346

4.16 Off-balance sheet items

Straker has no material off-balance sheet arrangements.

4.17 Forecast financial information

The basis of preparation for the Forecast Financial Information is detailed in this Section 4.17. Section 4.17.1 includes the Directors' best estimate general assumptions adopted in preparing the Forecast Financial Information Period. In addition to these general assumptions, assumptions specific to the Forecast are detailed in Section 4.17.2.

4.17.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there are no material changes in the competitive and operating environment in which Straker operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Straker operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Straker;
- there are no changes in applicable NZ GAAP, AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on Straker's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Straker;
- there are no material changes in foreign currencies;
- there are no material changes in key personnel, including key Management personnel. It is also assumed that Straker will maintain its ability to recruit and retain the personnel required to support future growth;
- there are no material changes to Straker's corporate and funding structure;
- there are no significant disruptions to the continuity of operations of Straker or other material changes in the business;
- there are no material amendments to any material contract, agreement or arrangement relating to Straker's business or intellectual property;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Straker; and
- the Offer proceeds are received in accordance with the timetable set out in the "Key Dates" section of this Prospectus.

4.17.2 Specific material assumptions affecting the Forecast Financial Information and Management discussion

The Forecast Financial Information is based on various specific assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect Straker's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The assumptions apply to FY19.

4.17.2.1. Revenue

The Forecast Financial Information is based on the following key revenue assumptions:

- **Straker revenue from repeat customers:** normalised customer base (active customers), run-rated forward from March 2018, taking into account customer attrition and removing large one-off deals;
- **Straker transactional revenue:** new transactional revenue modelled using Google AdWords marketing spend multiplied by historical multiplier of revenues derived per dollar spent;
- **Straker other new revenue:** based on the number of historical new customers multiplied by average historical base of spend for these customer types;
- Elanex and Eurotext based on normalised run-rate from March 2018 and taking into account recent trends;
- As MSS has only been recently acquired, MSS revenue has been derived by considering the MSS management team's forecast by customer and ensuring growth rates are consistent with the previous year where other assumptions are not over-riding these; and
- As Eule has only been recently acquired, Eule revenue has been derived by considering the Eule Management team's forecast by customer and ensuring growth rates are consistent with the previous year.

4.17.2.2. Gross profit margin

The Forecast Financial Information is based on the following key gross profit margin assumptions:

- Straker gross profit margins by region from March 2018 used, adjusted where necessary for known future changes.
- Elanex and Eurotext run rate trend gross profit margin used from March 2018, adjusted where necessary for known future changes.
- MSS gross profit margin has been determined by considering the historical gross profit margins and adjusting them to factor in work in progress movements as well as internal resource time spent conducting translations.
- Eule gross profit margin has been used based on the past performance of Eule in FY18.

4.17.2.3. Operating expenses

Key assumptions underlying operating expenses in the Forecast period include:

- Selling and distribution expenses
  - Cost base from March 2018 extrapolated forward and adjusted for inflation of 2.5%, and other known changes.
  - Adjustments for discretionary items including additional marketing spend.
- General and administration expenses
  - Cost base from March 2018 extrapolated forward and adjusted for inflation of 2.5%, growth and other known changes.
  - Adjustments for known new starters and leavers during the forecast period relating to growth projects and cost savings.

4.17.2.4. Depreciation, amortisation and capital expenditure

Depreciation and amortisation is based on the current depreciation and amortisation rates and estimated useful lives applied to property, plant and equipment, leasehold improvements, computer equipment and intangible assets, adjusted for planned capital expenditure and disposals.

New or planned capital expenditure, which is predominantly the capitalisation of employee costs relating to the development and enhancement of software, are amortised at rates consistent with Straker's current accounting policies.

Customer related intangible assets are amortised over a five-year period from the time of acquisition. The Company regularly reviews the amortisation period for appropriateness as required under NZ IFRS.

The main categories of assets and related depreciation and amortisation rates/useful lives are disclosed in Appendix A.

4.17.2.5. Income tax

Income tax is based on an effective tax rate of 28% reflecting the current corporate tax rate in New Zealand.

4.17.2.6. Cash flow

Cash receipts are typically received on an invoice basis, which is usually on 30-60 day payment terms. Revenue is recognised on a percentage of completion basis. Historically the revenue has grown and is forecast to grow through FY19 which is expected to result in the cash receipts to be lower than revenue in the forecast year. Cash payments to independent translators are on 30-45 day payment terms. Translator costs are accrued based on purchase order values and are paid when Straker receives an invoice based on the payment terms. Other payments for recurring costs are paid for as they fall due and large delivery service costs are managed and paid periodically.

4.17.2.7. Working capital

The Forecast Financial Information is based on trading terms in line with historic trading for trade receivables and trade payables for organic business and new acquisitions.

4.17.2.8. Capitalised development

Capital expenditure relating to the capitalisation of employee costs and related overheads with respect to the development and enhancement of the RAY Translation Platform is based on Straker's current employee headcount plan with 43% of total development salaries and related overheads capitalised in line with FY18. The other 57% relates to expensed research and support activities and is expensed as incurred.

4.17.2.9. Public company expenses

Public company expenses are assumed to be incurred during the Historical Periods, and reflect Straker's estimate of the incremental annual expenses that the Company will incur as a public entity. These expenses include Chairman and non-executive Director remuneration, additional audit and legal expenses, listing fees, share registry expenses, directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report expenses.

4.17.2.10. One-off and other transaction expenses

The forecast includes some one-off costs, including the IPO transaction costs and a contingent bonus for the executive team that are directly attributable to Straker.

The IPO transaction costs presented below reflect the apportionment of costs borne by Straker as well as SaleCo.

Figure 4.17.2.10: IPO Transaction expenses related to Straker

NZ$('000)	Straker share of expenses	SaleCo share of expenses	Total
Lead manager fees	900	138	1,038
Financial adviser fees	757	–	757
Legal fees	592	48	640
Accounting and tax fees	338	–	338
Employee IPO related bonuses	233	–	233
Other IPO transaction fees	507	–	507
Total IPO transaction expenses	**3,326**	**186**	**3,513**

4.17.2.11. Foreign exchange

The forecast has been modelled using the following assumed FX rates:

- NZD: USD – 0.71
- NZD: EUR – 0.592
- NZD: GBP – 0.52
- NZD: AUD – 0.92

4.18 Management discussion and analysis of historical and forecast financial information

4.18.1 Key factors affecting Straker's financial performance

This section discusses the general factors which affected Straker's operational and relative financial performance in FY16, FY17 and FY18 and which the Company expects may continue to affect it in future.

The discussion of these general factors is intended to provide a summary only and does not detail all factors that have affected Straker's historical operating and financial performance, or everything that could have an impact on its operational and financial performance in the future.

Unless otherwise stated, all metrics and Financial Information presented in this section, and the related commentary is on a pro forma basis only.

Revenue

Straker derives translation revenue from both enterprise and transactional customers. The majority of services are provided on a rate per word basis with the rate varying depending upon the language pair (e.g. a greater rate for a less common language pair) and nature of the project (e.g. level of technical language). Translation contracts are typically designed around milestone achievement with invoicing normally aligned to these milestones. Revenue recognition, however, is aligned to the percentage of work completed based on the total amount of contractual work.

Straker derives its revenue from both existing and new customers:

- **Revenue from repeat customers:** defined as customers who have previously placed an order with the Straker business, many of whom are enterprise customers by nature and are provided services by Straker under master services agreements entered into with Straker. In FY18, Straker had a strong revenue base from repeat customers with 77% of Straker's statutory revenue derived from repeat customers.
- **New Revenue:** 23% of FY18 statutory revenue was revenue from new customers, sourced from leads generated via various sales and marketing activities.

Expenses

An explanation of key expense categories is as follows:

- **Cost of sales:** primarily relate to the variable cost of Straker's freelance translation contractors who carry out the translation services for customers. These costs generally increase in line with revenue growth.
- **Selling and distribution expenses:** relate to the wages and salaries of the sales and marketing and production teams, advertising spend, hosting of seminars and exhibits at trade shows and conferences. These costs are expected to increase as Straker continues to invest in the sales and marketing team to drive future revenue growth;
- **General and administrative expenses:** relates to the wages, salaries and other expenses of Straker's management, research and development and administration teams. Increased headcount throughout the business has driven increases in the overall cost. Other expenses include director fees, premises costs, travel, audit, accounting, legal fees and insurance. These costs are expected to increase as the business grows.

These expenses reflect the full cost base of MSS and Eule which may be reduced in the future.

Depreciation and amortisation

- **Depreciation expense** relates to the depreciation of the plant and equipment and computer equipment.
- **Amortisation** relates to intangible assets with finite lives, including capitalised software development costs.
- **Amortisation** of acquired intangibles includes acquired customer relationships from acquisitions of subsidiaries.

Working capital

Straker's working capital relates primarily to the Company's income received in advance as well as trade receivables, accrued revenues, prepaid insurances, trade payables, other creditors, accrued expenses, taxes and accrued wages and salaries.

Capital expenditure and capitalised development

Capital expenditure has historically comprised expenditure on:

- product development of the RAY Translation Platform, including the wages, salaries and other expenses of employees whose role relates to the development and enhancement of the Straker platform; and
- computer equipment.

Capital expenditure on the acquisition of subsidiaries is represented by the intangible assets and goodwill acquired.

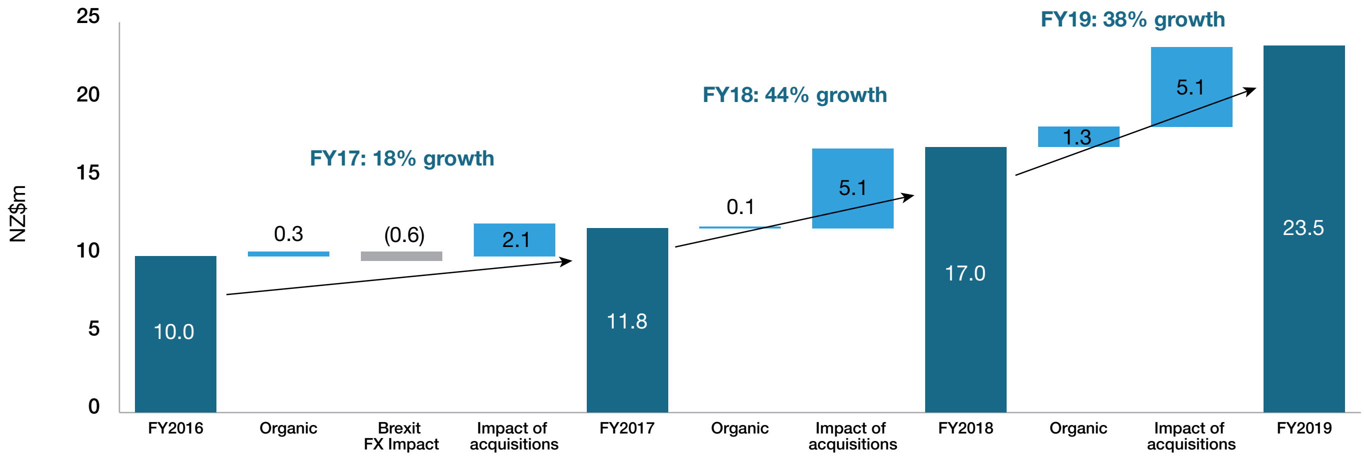
4.18.2 Growth in statutory revenue from FY16 to FY19

Figure 4.18.2 sets out the key sources of historical and forecast growth in statutory revenue over the period from FY16 to FY19.

In relation to figure 4.18.2:

- Statutory revenue grew at a CAGR of 32.8% across the Financial Information period including 37.9% forecast growth in FY19.
- BAU revenue grew at a 22.5% CAGR across the Financial Information period.
- Organic growth forecast to improve to 7.7% in FY19, with underlying growth of the organic business, excluding the Elanex acquisition, of 15.6%. See Section 4.18.5.1 for more details on the Elanex acquisition.
- FY17 revenues were adversely affected by a material devaluation of the Great Britain Pound (**GBP**) versus the New Zealand Dollar, primarily as a result of the Brexit decision that year.

Figure 4.18.2: Sources of Growth in Statutory Revenue from FY16 to FY19



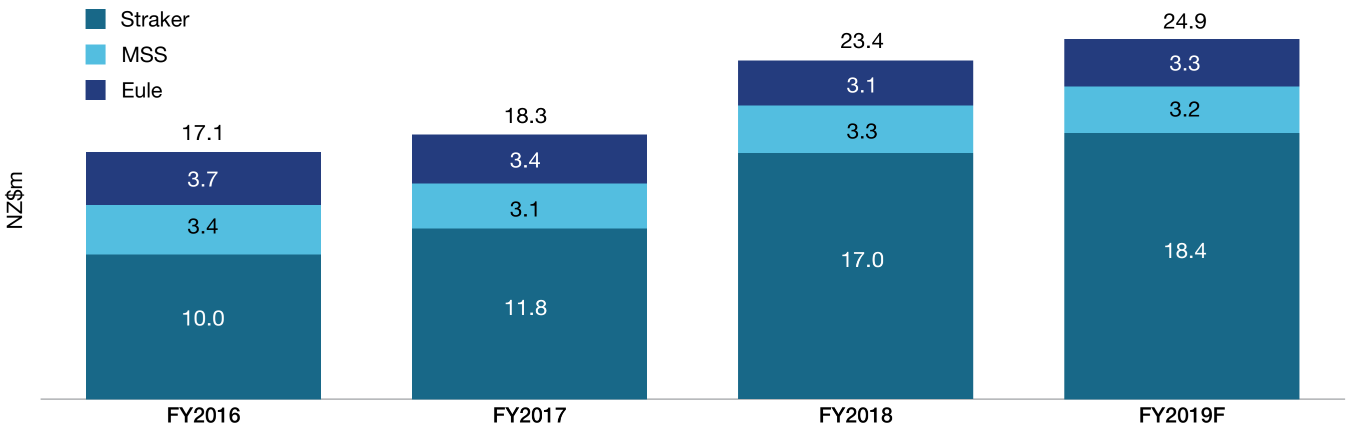
4.18.3 Growth in pro forma revenue from FY16 to FY19

Figure 4.18.3 sets out the key sources of historical and forecast growth in pro forma revenue over the period from FY16 to FY19.

In relation to figure 4.18.3:

- Pro forma revenues are forecast to grow at a CAGR of 13.3% across the Financial Information period.
- Organic growth across the period has been offset by slightly declining revenues from recently acquired MSS and Eule.

Figure 4.18.3: Sources of Growth in Pro forma Revenue from FY16 to FY19[1]



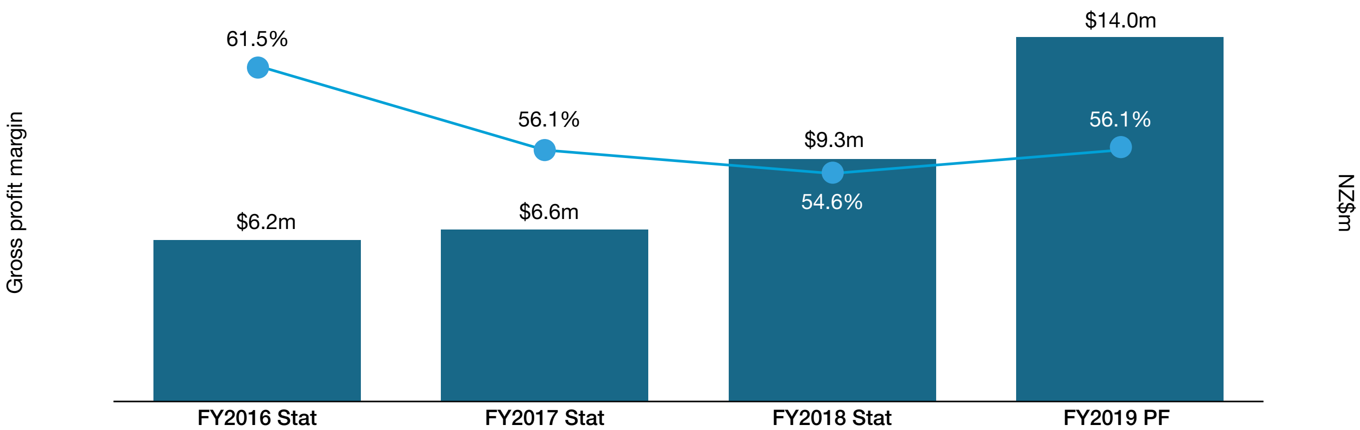
4.18.4 Change in gross profit and gross profit margin profile FY16 to FY19

Figures 4.18.4.1 and 4.18.4.2 set out the key sources of statutory historical and forecast growth in gross profit over the period from FY16 to FY19.

In relation to figure 4.18.4.1:

- Historically, the core Straker business had margins of approximately 60%, as reflected in the FY16 gross profit margin prior to any acquisition activity.
- Gross profit margins in FY17 and FY18 decreased due to the impact of the lower gross profit margin Elanex and Eurotext acquisitions, pre-migration onto the Straker platform.
- Translation work that is being processed through the RAY Translation Platform, including from Elanex and Eurotext, is running at approximately 60% gross profit margin.
- In FY19 the pro forma gross profit margin is forecast to increase to 56.1%. This is due to some incremental improvement in the organic margin.

Figure 4.18.4.1: Gross Profit and Gross Profit Margin Profile from FY16 to FY19

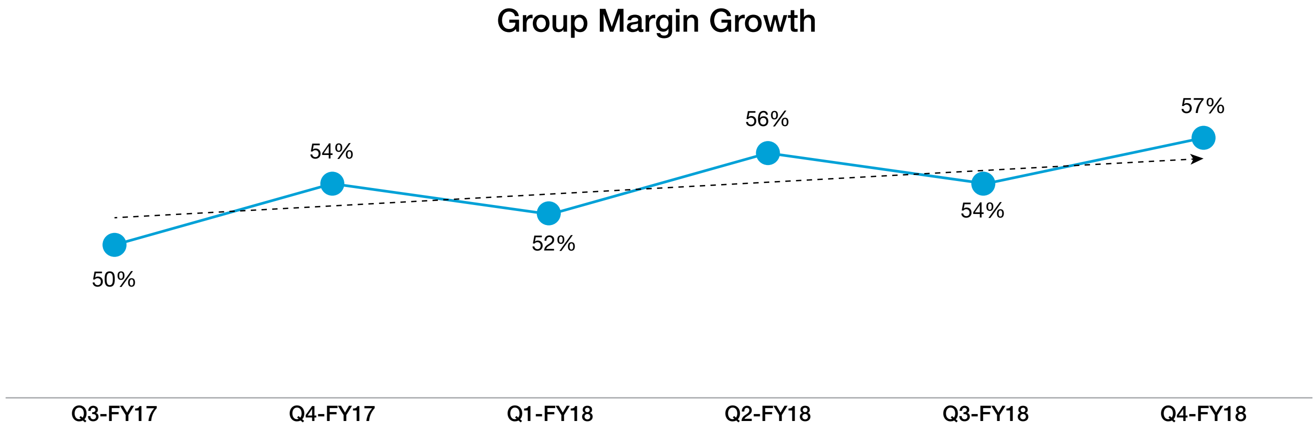


Straker made its first acquisition in Q3 of the FY17 year and since then the Company has improved the gross profit margin of acquired

1 Straker includes Elanex and Eurotext from date of acquisition.

companies as more acquisition work is transitioned to the RAY Transition Platform.

Figure 4.18.4.2: Statutory Group Gross Profit Margin Movement from Q3-FY17 to Q4-FY18



4.18.5 Impact of acquisition strategy FY17 to FY19

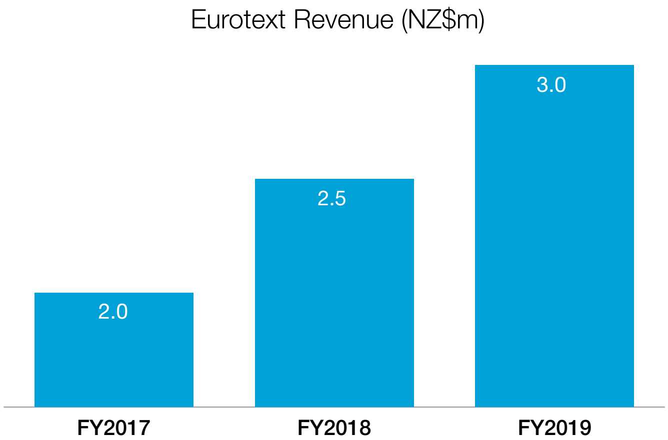
Straker has an active acquisition strategy and has benefited from the recent acquisitions it has undertaken.

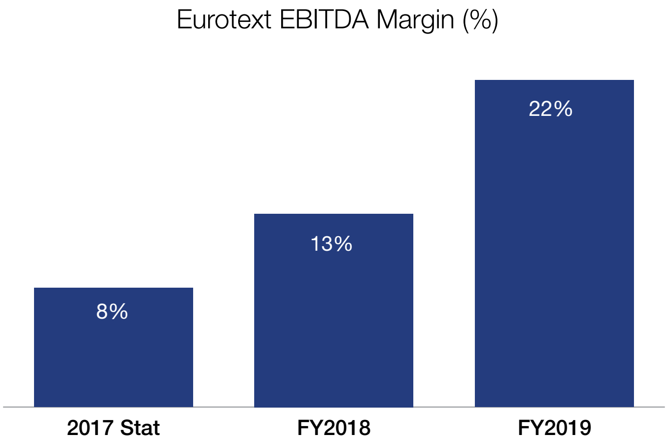
Eurotext

Eurotext was acquired with an effective date of 1 October 2016.

- Revenue has increased primarily due to the renegotiating of a major customer agreement that has moved from a dual vendor structure to a sole vendor scenario on the RAY Translation Platform.
- Additional regions and departments are now ordering, in self-service fashion, through the RAY Translation Platform.
- Straker has increased the adjusted EBITDA margin from 7.9% in FY17 to 13.0% in FY18 and is forecast to increase the adjusted EBITDA margin to 22.1% in FY19.
- Further gross profit margin gains are expected to be realised as more sales are ordered via the RAY Translation Platform and the legacy translation software is phased out.

Figure 4.18.5.1: Eurotext Revenue and EBITDA Margin % from FY17 to FY19





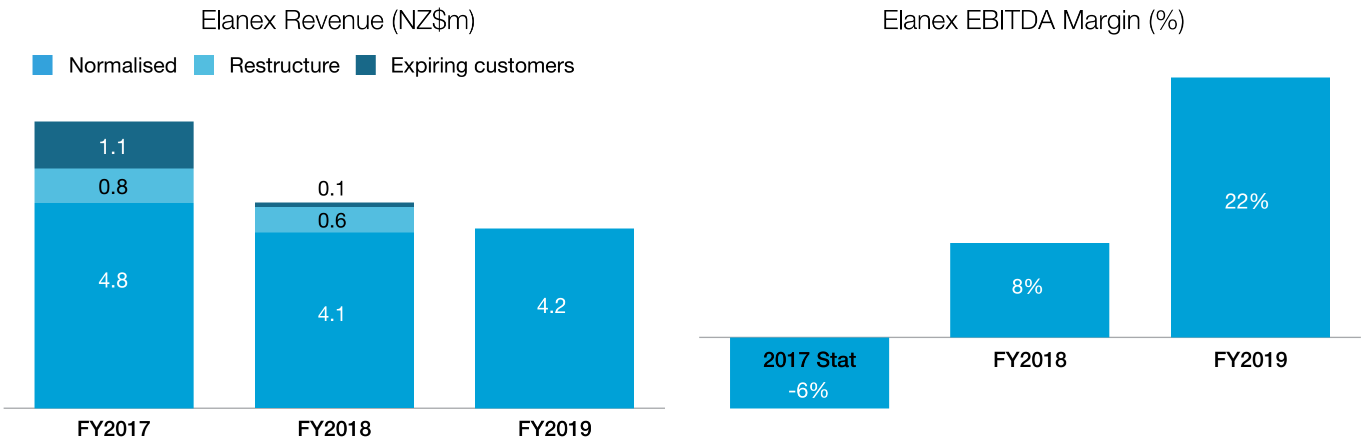
Note: FY17 revenue is based on full year result, as disclosed in note 25 Acquisitions of Subsidiaries of the FY17 Straker Group Financial Statements; FY17 EBITDA margin % is for part year from acquisition date on 1 October 2016.

Elanex

Elanex was acquired with an effective date of 1 February 2017.

- Revenue has decreased since the date of acquisition, driven by the loss of known expiring customers (effectively not paid for as part of acquisition transaction), a restructure of the business and decreases in orders from some existing customers.
- Revenue growth is forecast in FY19 off an adjusted FY18 base, taking into account known expiring customers and the impact of the restructure. Elanex revenues are sourced from two streams – USA Corporates and the Global Financial Services Group.
- The impact of both expiring customers and those effected by the restructure are forecast to be no longer a headwind from September 2018 onwards.
- Business is now adjusted EBITDA positive – driven by the transition to Straker's platform and decreases in operating expenses following the restructure.
- Further gross profit margin gains are expected to be realised as more sales are ordered via the RAY Translation Platform and legacy translation software is phased out – currently 50% of the Elanex work is running via the RAY Translation Platform.

Figure 4.18.5.2: Elanex Revenue and EBITDA Margin % from FY17 to FY19



Note: FY17 revenue is based on full year result, as disclosed in note 25 Acquisitions of Subsidiaries of the FY17 Straker Group Financial Statements; FY17 EBITDA margin % is for part year from acquisition date on 1 February 2017.

4.18.6 Management discussion and analysis: Pro forma Consolidated FY16 Income Statement compared to Pro forma Consolidated FY17 Income Statement

Figure 4.18.6.1: Summary Pro Forma Consolidated Income Statement FY16 compared to FY17

NZ$('000)		Pro forma Historical[1]		Percentage Change
Year ended 31 March	Notes	FY16	FY17	%
Translation income		17,130	18,313	6.9%
Total revenue		**17,130**	**18,313**	**6.9%**
Cost of sales		(7,164)	(8,311)	16.0%
Gross profit		**9,966**	**10,001**	**0.4%**
Selling and distribution expenses		(6,467)	(7,491)	15.8%
General and administration expenses		(4,223)	(4,669)	10.6%
Total operating expenses		**(10,690)**	**(12,160)**	**13.8%**
Total other income/expenses	1	6	–	n.a
Adjusted EBITDA		**(717)**	**(2,158)**	**200.8%**
Acquisition expenses		–	–	n.a
Non-operating income/expenses		–	38	n.a
EBITDA		**(717)**	**(2,120)**	**195.5%**
Depreciation		(124)	(137)	10.2%
Amortisation		–	(96)	n.a
Amortisation of acquired intangibles	2	–	(92)	n.a
EBIT		**(841)**	**(2,445)**	**190.5%**

Key financial metrics[3]	FY16	FY17
Pro forma revenue growth (%)	n.a	6.9%
Pro forma gross profit margin (%)	58.2%	54.6%
Selling and distribution expenses spend % of pro forma revenue	37.8%	40.9%
General and administration spend % of pro forma revenue	24.7%	25.5%
Pro forma adjusted EBITDA margin (%)	(4.2%)	(11.8%)
Days Sales Outstanding	56	51
Pro forma revenue from repeat customers %	76.3%	79.5%

Notes:
1. Other income and expenses relates to consulting services.
2. Amortisation of acquired intangible relates to amortisation of acquired identifiable intangible assets (customer relationships) from acquisitions of subsidiaries.
3. Unless specified please refer to Section 4.4 for the notes relating to this Section 4.

Revenues

Total pro forma revenue increased by 6.9% from NZ$17.1 million in FY16 to NZ$18.3 million in FY17. The growth was primarily affected by:

- Contribution of acquired companies of NZ$2.1 million (Eurotext of NZ$1.0 million from 1 October 2016 and Elanex of NZ$1.1 million from 1 February 2017).
- Organic growth of NZ$0.3 million contributed by the Asia Pacific region (APAC) and the Europe, Middle East and Africa region (EMEA) (excluding Brexit impact in the UK).
- The material currency devaluation of the GBP against the NZ, as a result of the Brexit in the United Kingdom (UK), which contributed to NZ$0.6 million downside in EMEA revenues.
- Decline in MSS and Eule revenue (NZ$0.6 million).

Revenue by region:

APAC pro forma revenues as a percentage of total pro forma revenues increased from 11% to 13% in FY17 due to organic growth, as well as the 2-month contribution from Elanex Financial Services Group.

North American pro forma revenues as a percentage of total pro forma revenues declined from 28% to 25% due to a large one-off customer website renovation project in FY16 not repeated in FY17, off-set by contributions from Elanex (NZ$1.1 million) and Eurotext (NZ$0.3 million).

EMEA pro forma revenues as a percentage of total pro forma revenues increased from 61% to 62% due to growth in organic revenue and contributions by Eurotext, off-set by declines in pro forma revenue from MSS and Eule.

Figure 4.18.6.2: Pro forma Revenue by Region FY16 to FY17

Year ended 31 March	FY16	FY17
Revenue by segment		
Asia-Pacific	11%	13%
North America	28%	25%
EMEA	61%	62%

Gross profit and gross profit margin

Pro forma gross profit increased by 0.4% in FY17 with increases in revenue offset by decreases in gross profit margin from 58.2% to 54.6%. The decrease in gross profit margin was a result of the impact of the lower margin Elanex and Eurotext businesses acquired during the year.

Operating expenses

Total pro forma operating expenses grew 13.8% from NZ$10.7 million in FY16 to NZ$12.2 million in FY17.

The movement in operating expenses was primarily driven by:

- Incremental part year costs from Eurotext and Elanex acquisitions prior to any rationalisations (NZ$1.0 million)
- Investments made in sales and marketing (NZ$0.3 million)
- Investments made in research and development to develop the RAY Translation Platform (NZ$0.2 million)

Adjusted EBITDA

Pro forma Adjusted EBITDA decreased from a loss of NZ$0.7 million in FY16 to a loss of NZ$2.2 million in FY17 as a result of the gross profit growth of 0.4% compared to the 13.8% increase in operating expenses. This equates to a decrease in the Adjusted EBITDA margin from -4.2% to -11.8%.

Pro forma Adjusted EBITDA margin declined primarily as a result of investing in senior sales enterprise staff in EMEA and APAC (NZ$0.3 million), as well as investments made in research and development to develop the RAY Translation Platform (NZ$0.2 million) and downside in margin contributions in North America (NZ$0.5 million). The contribution to Adjusted EBITDA from the Elanex and Eurotext acquisitions was minimal. MSS and Eule contributed NZ$0.4 million to the adjusted EBITDA downside.

EBIT

Straker incurred a NZ$2.4 million EBIT loss in FY17 as a result of the decrease in adjusted EBITDA explained above as well as an increase in depreciation and amortisation. Total depreciation and amortisation increased 161.7% from NZ$0.1 million in FY16 to NZ$0.3 million in FY17, primarily driven by amortisation of capitalised software development expenditure and acquired customer relationship intangible assets.

Cashflow

Figure 4.18.6.3: Summary Pro forma Free Cash Flows FY16 compared to FY17

NZ$('000)		Pro forma Historical Cash Flows		Percentage Change
Year ended 31 March	Notes	FY16	FY17	%
Adjusted EBITDA		**(717)**	**(2,158)**	**200.8%**
Non-cash items in Adjusted EBITDA		13	59	364.7%
Non-operating expenses		–	–	n.a.
Changes in working capital		(1,046)	151	(114.4%)
Operating cash flow		**(1,751)**	**(1,948)**	**11.3%**
Capitalised development costs		(346)	(548)	58.4%
Payments for plant and equipment		(105)	(101)	(3.8%)
Free cash flow before investing, financing and tax		**(2,202)**	**(2,597)**	**18.0%**

Decreases in Adjusted EBITDA offset by decreases in working capital resulted in an operating cash outflow of NZ$1.9 million. The improvement in working capital was due to a decrease in accounts receivables, driven by more efficient cash collection. Capitalised development costs increased by NZ$0.2 million, while payments for plant and equipment was consistent (NZ$0.1million), resulting in a free cash outflow of NZ$2.6 million, a NZ$0.4 million decrease.

Days Sales Outstanding decreased from 56 days to 51 days on average from FY16 to FY17, driven by lower business activity in Q4-FY17 than in Q4-FY16.

Capitalised development

Capitalised development grew by 58.4% from NZ$0.3 million to NZ$0.5 million. The movement was primarily due to an increase in the headcount of product developers from 10 to 13. Further detail of the capitalisation policy adopted by Straker is included in Appendix A.

Payments for plant and equipment

Other capital expenditure on plant and equipment and computer equipment remained broadly stable.

4.18.7 Management discussion and analysis: Pro forma Consolidated FY17 Income Statement compared to Pro forma Consolidated FY18 Income Statement

Figure 4.18.7.1: Summary Pro forma Consolidated Income Statement FY17 compared to FY18

NZ$('000)		Pro forma Historical[1]		Percentage Change
Year ended 31 March	Notes	FY17	FY18	%
Translation income		18,313	23,424	27.9%
Total revenue		**18,313**	**23,424**	**27.9%**
Cost of sales		(8,311)	(10,712)	28.9%
Gross profit		**10,001**	**12,712**	**27.1%**
Selling and distribution expenses		(7,491)	(8,867)	18.4%
General and administration expenses		(4,669)	(5,374)	15.1%
Total operating expenses		**(12,160)**	**(14,241)**	**17.1%**
Total other income/expenses	1	–	5	n.a
Adjusted EBITDA		**(2,158)**	**(1,524)**	**(29.4%)**
Acquisition expenses		–	–	n.a
Non-operating income/expenses	2	38	(294)	(870.8%)
EBITDA		**(2,120)**	**(1,817)**	**(14.3%)**
Depreciation		(137)	(137)	0.3%
Amortisation		(96)	(235)	144.3%
Amortisation of acquired intangibles	3	(92)	(376)	309.7%
EBIT		**(2,445)**	**(2,565)**	**4.9%**

Key financial metrics[4]	FY17	FY18
Pro forma revenue growth (%)	6.9%	27.9%
Pro forma gross profit margin (%)	54.6%	54.3%
Selling and distribution expenses spend % of pro forma revenue	40.9%	37.9%
General and administration spend % of pro forma revenue	25.5%	22.9%
Pro forma adjusted EBITDA margin (%)	(11.8%)	(6.5%)
Days Sales Outstanding	51	57
Pro forma revenue from repeat customers %	79.5%	83.5%

Notes:

1. Other income and expenses relates to consulting services.
2. Non-operating income/expenses include one-off and non-recurring income/expenses that are not part of the underlying operations of Straker.
3. Amortisation of acquired intangible relates to amortisation of acquired identifiable intangible assets (customer relationships) from acquisitions of subsidiaries.
4. Unless specified please refer to Section 4.4 for the notes relating to this Section 4.

Revenue

Pro forma revenue increased by 27.9% from NZ$18.3 million in FY17 to NZ$23.4 million in FY18. The growth was primarily affected by:

- Full year impact of Eurotext and Elanex acquisitions (NZ$5.1 million)
- Organic growth of NZ$0.1 million
  - APAC region increased organically by NZ$0.2 million due to increased enterprise customers spend.
  - North America grew organically by NZ$0.2 million on the back of setting up new sales structure including new general manager and strengthening the enterprise sales team.
  - EMEA region decreased by NZ$0.3 million due to Brexit uncertainty in the UK which lead to a reduction in customer spend.
- Straker experienced a downside in revenue that it acquired from Elanex as a result of contracts that had been lost and were due to expire prior to Straker's acquisition.

Revenue by region:

APAC pro forma revenues, as a percentage of total pro forma revenues, increased by from 13% to 14% in FY18 due to organic growth, as well as due to full year impacts from Elanex Financial Services Group.

North American pro forma revenues as a percentage of total pro forma revenues increased from 25% to 39% due to organic growth as well as full year impacts from Elanex and Eurotext.

EMEA pro forma revenues, as a percentage of total pro forma revenues, decreased from 62% to 47% due to downsides in the UK as the result of declining business confidence from Brexit, off-set by other organic growth and the full year impacts of Eurotext.

Figure 4.18.7.2: Pro forma Revenue by Region FY17 to FY18

Year ended 31 March	FY17	FY18
Revenue by segment		
Asia-Pacific	13%	14%
North America	25%	39%
EMEA	62%	47%

Gross profit and gross profit margin

Pro forma gross profit increased by 27.1% from NZ$10.0 million in FY17 to NZ$12.7 million in FY18, driven by increased revenue. Straker's pro forma gross profit margin decreased from 54.6% to 54.3% due to the impact of acquisition related businesses which operate at lower margins.

Operating Expenses

Total pro forma operating expenses grew 17.1% from NZ$12.2 million in FY17 to NZ$14.2 million in FY18.

The movement in operating expenses was primarily driven by:

- Full year impact of Elanex and Eurotext acquisitions (NZ$2.0 million)
- Increased selling and distribution expenses through the set-up of General Managers in regions (NZ$0.3 million)
- Investments in product research and development to pursue new growth markets (NZ$0.1 million)
- Net increases in general and administration costs of the Company due to inflation (NZ$0.1 million).
- Synergy cost savings realised on Elanex and Eurotext acquisitions (NZ$0.3 million)
- Cost reductions of NZ$0.2 million related to Eule and MSS businesses

Adjusted EBITDA

Pro forma Adjusted EBITDA improved from a loss of NZ$2.2 million in FY17 to a loss of NZ$1.5 million in FY18 as a result of the increased gross profit growth of 27.1% compared to the 17.1% increase in operating expenses. This equates to an improvement in the Adjusted EBITDA margin from -11.8% to -6.5%.

The increase in pro forma Adjusted EBITDA has been achieved by:

- improvements in profitability from organic activity (NZ$0.4 million); and
- the full-year impact of the Elanex and Eurotext acquisitions (NZ$0.4 million); and
- pro forma adjustments from MSS and Eule acquisitions (NZ$0.2 million).

These were however offset by investments in the future of the business related to sales costs in the organic business as well as continued investment in research and development of NZ$0.3 million.

EBIT

Straker incurred a NZ$2.6 million pro forma EBIT loss in FY18 as a result of the increase in adjusted EBITDA explained above, offset by increases in non-operating expenses and higher depreciation and amortisation. Total depreciation and amortisation increased 130.4% from NZ$0.3 million in FY17 to NZ$0.7 million in FY18, primarily driven by amortisation of acquired customer relationships.

Cashflow

Figure 4.18.7.3: Summary Pro forma Free Cash Flow Statement FY17 compared to FY18

NZ$('000)		Pro forma Historical Cash Flows		Percentage Change
Year ended 31 March	Notes	FY17	FY18	%
Adjusted EBITDA		**(2,158)**	**(1,524)**	**(29.4%)**
Non-cash items in Adjusted EBITDA		59	52	(12.2%)
Non-operating expenses		–	(237)	n.a
Changes in working capital		151	271	79.6%
Operating cash flow		**(1,948)**	**(1,438)**	**(26.2%)**
Capitalised development costs		(548)	(658)	20.0%
Payments for plant and equipment		(101)	(107)	5.8%
Free cash flow before investing, financing and tax		**(2,597)**	**(2,203)**	**(15.2%)**

Improvements in Adjusted EBITDA and decreases in working capital resulted in an operating cash outflow of NZ$1.4 million and a positive year on year increase of NZ$0.5 million. The increase was driven by a focus to ensure work is invoiced in a timely fashion and cash is collected as per the terms agreed with Straker. Free cashflow improved by NZ$0.4 million to an outflow of NZ$2.2 million.

Days Sales Outstanding increased from 51 days to 57 days on average from FY17 to FY18 driven by the impact of the Elanex and Eurotext acquisitions.

Capitalised development

Capitalised development grew by 20.0% from NZ$0.5 million to NZ$0.7 million. The movement was primarily due to an increase in the costs of product developers and associated overheads allocated. The proportion of software developers cost that relates to the enhancement and development of software is capitalised to the balance sheet is 47%. Further detail of the capitalisation policy adopted by Straker is included in Appendix A.

Payments for plant and equipment

Other capital expenditure on plant and equipment and computer equipment remained broadly stable.

4.18.8 Management discussion and analysis of Forecast Financial Information

Figure 4.18.8.1: Pro forma Consolidated Income Statement – FY18 compared to Forecast FY19

NZ$('000) Year ended 31 March	Notes	FY18	Pro forma Forecast FY19	Percentage Change %
Translation income		23,424	24,890	6.3%
Total revenue		**23,424**	**24,890**	**6.3%**
Cost of sales		(10,712)	(10,929)	2.0%
Gross profit		**12,712**	**13,961**	**9.8%**
Selling and distribution expenses		(8,867)	(8,529)	(3.8%)
General and administration expenses		(5,374)	(5,936)	10.5%
Total operating expenses		**(14,241)**	**(14,465)**	**1.6%**
Total other income/expenses	1	5	(23)	(571.0%)
Adjusted EBITDA		**(1,524)**	**(527)**	**(65.4%)**
Acquisition expenses		–	–	n.a
Non-operating expenses	2	(294)	(60)	(79.6%)
EBITDA		**(1,817)**	**(587)**	**(67.7%)**
Depreciation		(137)	(107)	(21.9%)
Amortisation		(235)	(335)	42.6%
Amortisation of acquired intangibles	3	(376)	(392)	4.5%
EBIT		**(2,565)**	**(1,422)**	**(44.6%)**

Key Financial metrics[4]	FY18	Forecast FY19
Pro forma revenue growth (%)	27.9%	6.3%
Pro forma gross profit margin (%)	54.3%	56.1%
Selling and distribution expenses spend % pro forma of revenue	37.9%	34.3%
General and administration spend % of pro forma revenue	22.9%	23.9%
Pro forma adjusted EBITDA margin (%)	(6.5%)	(2.1%)
Days Sales Outstanding	57	57
Pro forma revenue from repeat customers %	83.5%	82.3%

Notes:
1. Other income and expenses relates to consulting services.
2. Non-operating expenses include one-off and non-recurring expenses that are not part of the underlying operations of Straker.
3. Amortisation of acquired intangible relates to amortisation of acquired identifiable intangible assets (customer contracts) from acquisitions of subsidiaries.
4. Unless specified please refer to Section 4.4 for the notes relating to this Section 4.

Revenue

Pro forma revenue is forecast to grow by 6.3% from NZ$23.4 million in FY18 to NZ$24.9 million in FY19. The growth is primarily driven by:

- Organic business forecast to grow 7.7% or NZ$1.3 million across all regions, with progress already made on organic growth in Q1-18, as per Straker's June-18 management accounts (unaudited), representing 10% organic growth and 35% underlying growth excluding the Elanex acquisition. See Section 4.18.5.1 for more details on the Elanex acquisition;
- Organic revenue growth is forecast from EMEA and APAC enterprise repeat customer base as well as from new business in North America and APAC; and
- Pro forma adjustments from MSS and Eule contributed to a NZ$0.2 million increase in revenues.

Revenue by region:

APAC pro forma revenues, as a percentage of total pro forma revenues, are forecast to increase from 14% to 16% as a result of increased Elanex Financial Services Group activity.

North American pro forma revenues, as a percentage of total pro forma revenues, are forecast to decrease from 39% to 36% as the result of revenue reductions from Elanex that were reported in Q1 FY18.

EMEA pro forma revenues, as a percentage of total pro forma revenues, are forecast to increase from 47% to 49% due to organic growth and increased contribution from Eule and MSS.

Figure 4.18.8.2: Pro forma Revenue by Region from FY18 to FY19

Year ended 31 March	FY18	Forecast FY19
Revenue by segment		
Asia-Pacific	14%	16%
North America	39%	36%
EMEA	47%	49%

Gross profit and gross profit margin

Pro forma gross profit is forecast to increase by 9.8% from NZ$12.7 million in FY18 to NZ$14.0 million in FY19 as a result of the increase in revenue. The pro forma gross profit margin is forecast to increase from 54.3% to 56.1% as more of the acquired subsidiaries' customers are transitioned to the RAY Translation Platform.

Operating expenses

Total pro forma operating expenses are forecast to increase 1.6% from NZ$14.2 million in FY18 to NZ$14.5 million in FY19.

The NZ$0.3 million increase in operating expenses is expected to be primarily driven by:

- Investments in development staff of NZ$0.2 million for research and development to pursue new product development areas and maintain the team for future growth.
- Net increases in general and administration inflation of NZ$0.6 million related to increased IT run costs, occupancy costs, FY18 full year impact of management and staff salary increases, share options, audit and tax increases, travel and training increases due to growth and the addition of a new financial controller at the end of 2018.
- Synergy cost savings realised on Elanex and Eurotext acquisitions (NZ$0.7 million) mainly as the result of a restructure of Elanex where the management team was removed, and higher cost sales and distribution resources were replaced with lower cost alternatives.
- Increases related to Eule and MSS businesses (NZ$0.2 million).

Adjusted EBITDA

Pro forma Adjusted EBITDA is forecast to increase from a loss of NZ$1.5 million in FY18 to a loss of NZ$0.5 million in FY19 as a result of forecast gross profit growth of 9.8% offset by operating expenses increase of 1.6%. This equates to an increase in the Adjusted EBITDA margin from -6.5% to -2.1%.

The improvement in Adjusted EBITDA is forecast to be achieved by improvements in profitability from organic activity, with Business as Usual contributing NZ$0.3 million and continued operating improvements in Elanex and Eurotext businesses a further NZ$0.9 million. This is offset by further investment in R&D of NZ$0.1 million.

Synergies forecast from Elanex and Eurotext acquisitions include expected gross profit margin upside as more customers are transitioned to the Straker platform, as well as operating cost synergies mentioned above.

Straker is also forecasting a decline in adjusted EBITDA from MSS and Eule of NZ$0.1 million on a pro forma basis.

EBIT

Straker expects to incur a NZ$1.4 million EBIT loss in FY19 as a result of the significant improvement in adjusted EBITDA explained above, offset by increases in non-operating expenses and higher depreciation and amortisation. Total depreciation and amortisation is expected to increase 11.6% from NZ$0.7 million in FY18 to NZ$0.8 million in FY19, primarily driven by increased amortisation of capitalised development.

Cashflow

Figure 4.18.8.3: Summary Pro forma Cash Flow Statement FY18 compared to FY19

NZ$('000)		Pro forma Forecast		Percentage Change
Year ended 31 March	Notes	FY18	FY19	%
Adjusted EBITDA		**(1,524)**	**(527)**	**(65.4%)**
Non-cash items in Adjusted EBITDA		52	–	n.a
Non-operating expenses		(237)	(60)	(74.7%)
Changes in Working Capital		271	(512)	(289.1%)
Operating cash flow		**(1,438)**	**(1,100)**	**(23.5%)**
Capitalised development costs		(658)	(719)	9.2%
Payments for plant and equipment		(107)	(41)	(61.8%)
Free cash flow before investing, financing and tax		**(2,203)**	**(1,859)**	**(15.6%)**

An improved forecast Adjusted EBITDA offset by forecast decreases in working capital is expected to result in an operating cash outflow of NZ$1.1 million. This represents an improvement of 23.5% year on year. After capitalised development costs and payments for plant and equipment, free cash flow is forecast to improve by NZ$0.4 million to an outflow of $1.9 million.

Days Sales Outstanding is forecast remain consistent at 57 days from FY18 to FY19.

Capitalised development

Capitalised development is forecast to increase 9.2% from NZ$0.66 million to NZ$0.72 million. The movement is expected to be driven by increases in development headcount and increases in salaries for existing staff.

Payments for plant and equipment

Other capital expenditure on plant and equipment and computer equipment is expected to remain broadly stable.

4.19 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic, legal and competitive uncertainties and contingencies, many of which are beyond the control of the Group, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions which are subject to change.

Set out below is a summary of the sensitivity of the impact on the Forecast Financial Information of changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions and assumes a full year impact for FY19. In practice, changes in assumptions may offset each other or be additive and it is likely that the Group's Management would respond to any adverse changes in one item to seek to reduce the net effect on the Group's Adjusted EBITDA and cash flow.

For the purpose of the analysis below, the effect of the changes in key assumptions on the FY19 pro forma forecast Adjusted EBITDA loss of NZ$0.5 million is set out in Figure 4.19.1 below.

Figure 4.19.1: Sensitivity Analysis on Pro forma Forecast Adjusted EBITDA for FY19

NZ$('000)		FY19 Adjusted EBITDA	
Assumption	Variance	Positive change	Negative change
Revenue	+/-10%	+$1.3 million	-$1.3 million
Gross profit margin	+/- 5%	+$1.2 million	-$1.2 million
Foreign exchange (NZD/ USD)	+/- 5c	-$0.02 million	+$0.02 million
Foreign exchange (NZD/ EUR)	+/- 5c	-$0.02 million	+$0.03 million

The sensitivities calculated above are based on the changes in the specific variables of (a) +/- 10% in revenue (10 percentage points change), (b) +/- 5% in gross profit margin (5 percentage points change), (c) +/- 5c change in the NZD to USD exchange rate and (d) +/- 5c change in the NZD to Euro exchange rate, and assumes all other variables remain constant.

4.20 Summary of significant accounting policies

Set out in Appendix A is a summary of the significant accounting policies adopted in preparing the Financial Information contained in this Section 4.

4.20.1 Critical accounting estimates and judgements

Preparing financial statements in accordance with NZ IFRS requires Management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements made by Management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to the significant accounting policies outlined in Appendix A of this Prospectus.

4.21 Dividend policy

The Directors have no current intention to declare and pay a dividend. It is the Directors' current intention to reinvest future available cash flows in the development of the Company's business.

section 5

RISKS

5.1 Introduction

The Company is subject to various risk factors. Some of these are specific to Straker's business activities, while others are of a general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Straker, its investment returns and the value of the Shares.

The principal risk factors are described below. While some of these risks can be mitigated using appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated.

The risks set out in this Section 5 are not an exhaustive list of the risks associated with Straker or the industry in which it operates, or an investment in the Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, you should seek professional guidance from your legal adviser, broker, accountant or other independent and qualified professional adviser before deciding whether to invest.

5.2 Specific risks

5.2.1 Competition and new technologies

Straker competes against other language services providers in an industry that is currently highly fragmented. Straker faces the risk that one or more of its competitors, or a new entrant to the market, will increase its competitive position through one or more of aggressive marketing campaigns, product innovation, price discounting, acquisitions or through advances in technology. If this materialised, Straker may compete less effectively against its competitors and its business, financial performance and operations could be adversely affected.

5.2.2 Reliance on key personnel

Straker relies heavily on its existing key personnel, who cover a range of functions, have intimate knowledge of the business, its technology and the industry within which it operates. Straker's key personnel have provided a significant contribution to Straker's success as it has grown.

The departure of, or inability to attract and retain, key personnel could negatively affect Straker's ability to reach its goals and there is no guarantee that Straker could attract a suitably qualified replacement, or if it is able to do so, how long it may take for Straker to attract and employ such a replacement.

5.2.3 Need to attract and retain skilled staff

Straker is reliant upon staff with specialist skills in order to maintain and develop its products and services. There is a risk that Straker may not be able to attract and retain skilled staff or be able to find effective replacements for them in a timely or cost effective manner. If Straker is unable to attract and retain skilled staff it could materially adversely impact Straker's ability to operate its business which would have a detrimental impact on Straker's financial performance and profitability.

5.2.4 Risks of growth by acquisition

Straker has completed four acquisitions and may seek to undertake further acquisitions in the future. Straker intends to integrate acquisitions which includes the process of transitioning customers of the acquired business onto Straker's platform. Straker may also implement aspects of the acquired business or products to enhance Straker's existing business.

Future expansion by acquisition may be affected by factors beyond Straker's control (including, without limitation, commercial or regulatory changes), which may result in there being limited or unsuitable acquisition opportunities at the relevant time. There can be no assurance that suitable future acquisition opportunities will arise or if they do arise that they will be able to be made on acceptable terms.

There is a risk that customers of acquired businesses do not successfully transition onto Straker's platform. There is also a risk that the process of transitioning customers requires significantly more financial and management resources, or time to complete, than originally planned. In addition, there is a risk that the acquisitions may fail to meet Straker's strategic and financial objectives, generate the synergies and benefits that Straker expected, or provide an adequate return on the purchase price and resources invested in them. This may occur due to a variety of factors, including poor market conditions, poor integration of staff, staff losses, customer losses, technology impacts or other integration barriers.

In addition, while Straker will undertake all reasonable and appropriate due diligence in respect of additional acquisition opportunities, there is a risk that warranties or indemnities cannot be obtained, that Straker's due diligence and analysis may be incomplete or inaccurate, and that the benefits and synergies Straker anticipates may not be realised due to a variety of factors. Straker will seek to obtain customary warranties and indemnities from vendors of the acquired assets, however there is a risk that potential issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated by the warranties and indemnities in the sale and purchase agreements for those acquisitions. If an unforeseen liability arises in respect of which Straker is not able to be indemnified, this may adversely affect the financial and operating performance of Straker. There can be no assurance that any future acquisitions will enhance the investment returns of Shareholders.

Any of the above factors, either individually or in combination, may have an adverse impact on Straker's operating and financial performance.

5.2.5 Loss of a key customer or a reduction in the work that Straker receives

Straker is exposed to the loss of a key customer or if a customer reduces the amount of work that Straker receives. In FY18, Straker's largest customer accounted for 10.6% of total pro forma revenue and the top 20 customers accounted for 54.3% of total pro forma revenues[1]. Some of the revenue generated by Straker is project-related which can lead to volatility in revenue if the Company is not able to replace revenue from projects that have ended. This may adversely affect the Company's financial performance.

5.2.6 Inability to attract new customers

Straker is also reliant upon attracting new customers to achieve its stated growth objectives. There is a risk that one or more of Straker's competitors, or a new entrant to the market, will increase their competitive position, or companies that require translation services develop in-house translation processes rather than using external translation products and services. If any of these risks materialise, they could materially affect Straker's ability to attract the number of new customers required to achieve its growth objectives.

5.2.7 Master services agreements with customers may be terminated at will and do not provide minimum revenue amounts

Straker's master services agreements with customers provide that the customer may terminate the agreement at will and do not require customers to purchase a minimum value of services from Straker in any given year. Straker is therefore exposed to the risk that its customers may terminate their master services agreement on short notice or reduce the usage of products and services under the agreement.

5.2.8 Defect with products/services

Straker's customers are reliant on the performance of its products and services. If Straker experiences a defect with its products and/or services, Straker could suffer customer and revenue loss, material harm to its reputation and/or significant expenditure to restore functionality.

5.2.9 Attracting translators

Straker utilises both machine translation and a crowd-sourced pool of independent contractor translators to deliver translation services to customers. If Straker fails to attract and engage freelance translators, it will not be able to deliver its translation services to its customers and could suffer reputational damage and revenue loss.

5.2.10 Success of sales and marketing strategy

Straker's future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Promoting awareness of Straker's services is critical to Straker's success as a translation services platform.

Straker expects that sales and marketing investment will continue to increase as the business grows. Straker may not however receive benefits from these investments for several years or may not receive benefits from these investments at all. Failure to realise benefits from sales and marketing investment could negatively impact Straker's ability to attract new customers and adversely impact Straker's operational and financial performance.

1 Pro forma, including MSS and Eule which were acquired in FY19

5.2.11 Data loss, theft or corruption

Straker processes large volumes of confidential data. Straker's business could be materially disrupted by data breaches which may impact the security of information and data concerning Straker and/or its customers. This could occur through theft, unauthorised access or malicious attacks on Straker's systems, products or processes (e.g. hacking), unauthorised disclosure of confidential customer information (including exploitation of data) or loss of information (e.g. system problems). While Straker undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate.

Any security breach may result in significant disruption to Straker's business or the operations of its customers including rendering such operations unavailable for a period of time until the data is restored. A security breach could cause material harm to Straker's reputation and accordingly may have a material adverse impact on Straker's growth prospects, operating results, reputation and financial performance. The impact of loss or leakage of customer data may also include cost for rebates and litigation arising out of any data breach.

There is a risk that Straker may be unable to detect the unauthorised use of Straker's intellectual property. Further, actions Straker takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of its intellectual property and proprietary information. Straker's intellectual property is not protected by any patents.

5.2.12 Impact of privacy laws and regulations

Straker is subject to various privacy laws and regulations in the countries in which it operates including the EU GDPR.

As outlined above at 5.2.11, any systems failure or compromise of security that results in the unauthorised access to or release of customers' data could have a range of adverse effects on Straker's reputation, and ability to attract and retain new customers. In addition to these risks, the current data protection and privacy regimes to which Straker is subject may result in Straker being required to pay significant fines to regulatory bodies in relation to any privacy breach.

Furthermore, foreign data protection, privacy and other laws and regulations are often more restrictive and costly to comply with than in Australia and New Zealand. Existing and proposed laws internationally, such as the existing GDPR, can be costly to comply with which could increase costs, require management attention and/or require changes to the way Straker's products function. In particular, the GDPR may have an ongoing impact on the way in which the Company collects, stores, discloses and otherwise deals with information that is subject to those rules.

5.2.13 Failure to realise benefits from product development costs

Developing software and technology is expensive and often involves an extended period of time to achieve a return on investment. An important part of Straker's business strategy is to continue to make investments in innovation to maintain its competitive position. Straker may not, however, receive significant revenues from these investments for several years or may not realise such benefits at all.

5.2.14 General IT infrastructure/platform-related risks

Straker is dependent on the performance, reliability and availability of its technology platforms (including servers, the internet, hosting services and its cloud-based infrastructure). Some of these platform services are provided by third party service providers. There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external use by websites, hacker attacks or other disruptions including natural disasters, power outages or other similar events.

Certain of these events may be caused by events outside of Straker's control, and may lead to business disruption and delay in completion of work for customers.

There is also a risk that Straker's potential growth may be constrained by a lack of scalability of the IT infrastructure. If Straker's IT infrastructure cannot keep pace with Straker's growth, it will have a detrimental impact on Straker's ability to execute its growth objectives.

5.2.15 Use of contractors for translator pool

There is a risk that one or more courts or regulatory authorities around the world determines that the freelance translators are employees of Straker, rather than independent contractors. In such event, Straker might incur significant costs, including (but not limited to) possible regulatory fines and taxes. It could also interrupt or adversely affect Straker's business and may have an adverse effect on Straker's operations and financial performance.

5.2.16 Infringement of intellectual property rights

If a third party accuses Straker of infringing its intellectual property rights or commences litigation against Straker for infringing its intellectual property rights, Straker may incur significant costs in defending such action, whether or not it ultimately prevails.

In addition, parties making claims against Straker may be able to obtain injunctive or other equitable relief that could prevent Straker from further developing or using its products. In the event of a successful claim of infringement against Straker, it may be required to pay damages or obtain one or more licences from the prevailing third party, which could cause Straker to incur substantial expenditure.

5.2.17 Country/region specific risks in new and/or unfamiliar markets

Straker has operations in a number of overseas jurisdictions and is exposed to a range of different legal and regulatory regimes, including in new jurisdictions in which Straker may acquire businesses and/or in geographies which Straker is expanding its operations. As Straker expands its presence in new international jurisdictions, it is subject to the risks associated with doing business in regions that may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks, including:

- Unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- Less sophisticated technology standards;
- Difficulties engaging local resources; and
- Potential for political upheaval or civil unrest.

As Straker enters newer and less familiar regions there is a risk that Straker fails to understand the laws, regulations and business customs of these regions. This gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which Straker may operate. This could interrupt or adversely affect parts of Straker's business and may have an adverse effect on Straker's operations and financial performance.

5.2.18 Fraud risk from diversified geographic locations

Straker has multiple bank accounts across all of its entities from which it provides payments to translators around the world. This high number of bank accounts spread between diversified geographic locations may increase the risk of fraudulent transactions occurring.

5.2.19 Loss making operation and sufficiency of funding

As at the Prospectus Date, the Company is loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The Company has limited financial resources and may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and meet its other longer term objectives. The Company may never achieve profitability. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both to remain solvent and at some point the Company may be forced to either dispose of operating assets or close down entirely.

5.2.20 Foreign exchange risk

The financial statements are presented in New Zealand dollars. More than 90% of Straker's revenue is denominated in other currencies, most notably US dollars and Euros. As a result, Straker's revenues are sensitive to movements in the exchange rate between US dollars, Euros and New Zealand dollars. Some of Straker's operating costs are denominated in other currencies, most notably US dollars and Euros, which provides some protection. A sensitivity analysis is set out in Section 4.19.

5.3 Investment and general risks

5.3.1 Economic conditions

General economic conditions, changes in government policy, amendments to legislation, movements in interest rates, inflation and currency exchange rates may have an adverse impact on the Company's operations as well as its ability to finance its business model and pay dividends. Other general economic conditions which may adversely impact the price of Shares include an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates amongst other factors. As a result of the above-mentioned factors, the Group is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below their Offer Price.

5.3.2 Share prices may fall

The price of the Shares quoted on ASX may rise or fall and the Shares may trade below or above the Offer Price due to a number of factors, many of which are outside of the Group's control. There is no assurance that the price of Shares will increase following quotation on the ASX, even if the Group's earnings meet or exceed forecasts. The factors which may affect the price of Shares include but are not limited to:

- general economic conditions including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the various S&P/ASX indices);
- the nature of markets in which the Company operates; and
- general and operational business risks.

Other factors that may negatively affect the investor sentiment and influence the Company specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, flood, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man made or natural events.

Given the market for the Company's Shares will be new, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

5.3.3 Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Following Completion of the Offer, some of the Shares held by certain Existing Shareholders (other than any Shares acquired by them under the Offer at the Offer Price) will be subject to voluntary escrow arrangements varying from until the release of the full year FY19 result and until the release of the half year FY21 result, or will be subject to vesting and other restriction conditions. In each case, the escrow restrictions are subject to certain exceptions such as a limited early release as set out in more detail in Section 9.5.2. The absence of any sale of Escrowed Shares by the Escrowed Shareholders during their Escrowed Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. Following the end of the relevant Escrow Period, a significant sale of Shares by the Escrowed Shareholders, or the perception that such a sale might occur, could also adversely affect the market price of the Shares.

5.3.4 Taxation changes may negatively affect the Group

There is the potential for changes to tax laws (including transfer pricing, indirect taxes, stamp duties and employment taxes), and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on the Group (including in foreign jurisdictions in which the Group may operate) is likely to affect returns to Shareholders. These changes may also impact the tax liabilities of the Group, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

In addition, tax authorities may review the tax treatment of transactions entered into by the Group. Any actual or alleged failure to comply with, or any change in the application or interpretation of, tax rules applied in respect of such transactions, may increase the Group's tax liabilities or expose it to legal, regulatory or other actions.

An investment in the Shares involves tax considerations which differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Group.

5.3.5 Shareholders may be diluted

In the future, the Company may elect to issue Shares or engage in capital raisings to fund investments or acquisitions that the Company may decide to undertake. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and capital raisings.

5.3.6 Additional requirements for debt

The Company may need to engage in debt financing in the future to secure additional funds. There can be no assurance that the Company will be able to obtain additional capital from debt sources on favourable terms or at all. If the Company is unable to raise debt capital if and when needed, this could delay, suspend or reduce the scope of the Company's business strategy and could have a material adverse effect on the Company's activities which could adversely affect its business, financial condition and operating results.

Any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy.

5.3.7 Accounting standards may change

New Zealand Accounting Standards are issued by the New Zealand Accounting Standards Board (**NZASB**) of the External Reporting Board and are outside the control of either the Company or its Directors and senior management. The NZASB is due to introduce new or refined New Zealand Accounting Standards in the coming years, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing New Zealand Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to New Zealand Accounting Standards issued by the NZASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.8 Litigation

In the ordinary course of its business, the Company may be subject to the risk of litigation and other disputes with its customers, employees, contractors, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to the Company's reputation, which ultimately is likely to have an adverse effect on the financial performance of the Company.

5.3.9 Dividend risk

The Company has not to date paid any dividend on its ordinary shares or generated any full year profits. The Directors have no current intention to declare and pay a dividend and there is no certainty that the Company will pay dividends in the future.

5.3.10 Government and regulatory factors

Laws and regulations may be adopted with respect to the Company's products and services in relation to issues such as user privacy, intellectual property, information security, the content and quality of products and services and the classification of the freelance contractors as employees rather than independent contractors, which could limit Straker's proposed scope of activity and/or cause Straker to incur significant costs.

5.3.11 Force majeure events may occur

Events may occur within or outside the countries in which the Group operates that could impact upon these economies, the operations of the Group and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Group's services and its ability to conduct business. The Group has only a limited ability to insure against some of these risks.

5.3.12 Speculative investment

The above list of risk factors is not to be taken as an exhaustive list of risks that the Company or its Shareholders are exposed to. The above risks, and others not specifically referred to, may in the future materially impact the financial performance of the Company and the value of the Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares under this Prospectus.

section 6

KEY PEOPLE, INTERESTS AND BENEFITS

6.1 Board of Directors and key management

The Directors bring to the Board relevant experience and skills, including sector and business knowledge, financial management and corporate governance experience. Profiles of each member of the Board and key management are set out below.

Figure 6.1: Board of Directors and key management

Director	Experience
Phil Norman Independent Non-Executive Chairman 	▶ Phil was appointed the Non-Executive Chairman of Straker on 13 January 2014. ▶ He was the founding chairman of Xero Limited, one of New Zealand's most successful listed technology companies, and retired from Xero's Board in July 2012 after five years' service. ▶ Phil's other current director roles include the Independent Chairmanship of Loyalty New Zealand Limited (New Zealand's largest loyalty company and operator of Fly Buys), Chair of NZX listed Plexure Group Limited (NZX:PLX) (a marketing services software company) and Chair of AUT Ventures Limited (the commercialisation arm of AUT University). ▶ Phil is a past Chairman of the New Zealand Private Equity and Venture Capital Association and was for six years a member of New Zealand Trade and Enterprise's New Zealand Beachheads Advisory Board. ▶ Phil holds an MBA from the University of Auckland and is a Chartered Member of the New Zealand Institute of Directors.
Grant Straker Founder and Managing Director 	▶ Prior to founding Straker in 1999, Grant served in the British Army as an elite paratrooper. ▶ As a co-founder of Straker, Grant has extensive experience in the language translation market. ▶ Grant was appointed to the board on 21 December 1999. ▶ Grant's wide ranging technical, sales and business skills, combined with his strong entrepreneurial drive, have placed him in an ideal position to help accelerate the growth of Straker. ▶ Grant is a member of the NZ Institute of Directors. ▶ Along with Merryn Straker, Grant was the winner of the 2018 master category for NZ Entrepreneur of the Year.
Tim Williams Independent Non-Executive Director 	▶ Tim was appointed a Non-Executive Director of Straker on 24 June 2015. ▶ He founded ValueCommerce Co. Ltd in 1996. ▶ Tim is one of the original pioneers in the Japanese internet and advertising industry. His vision and record of achievement are demonstrated by the success and growth of ValueCommerce Co. Ltd. Tim founded ValueCommerce, an Internet affiliate marketing company, selling a 49% stake to Yahoo Japan in 2005. Subsequently in 2007, ValueCommerce was listed on the Tokyo Stock Exchange. ▶ Tim is also a Director of The Icehouse, The University of Auckland's technology incubator, and is a General Partner in The Icehouse linked fund Tuhua Ventures, which invests in high-growth start-ups in New Zealand. ▶ Tim holds a Bachelor of Science (Hons) in molecular genetics from the University of Canterbury.

Director	Experience
Katrina Johnson Independent Non-Executive Director 	▶ Katrina was appointed a Non-Executive Director of Straker on 3 July 2018. ▶ Katrina has over 15 years of specialist in-house legal experience within technology companies, including executive leadership and board member roles. ▶ Katrina joined Uber in April 2015, after spending 12 years with the eBay group of companies in Australia and the United States. She now leads Uber's Legal Team for Asia Pacific and is a member of Uber's APAC Regional Leadership Team. ▶ Katrina is also an independent non-executive director of Trade Me Group Limited, and a member of its Audit and Risk Management Committee. ▶ Katrina holds a Bachelor of Arts and Bachelor of Laws (Hons) from Macquarie University, and a Graduate Diploma of Legal Practice from the College of Law, New South Wales. Katrina is a member of the Australian Institute of Company Directors.
Steve Donovan Non-Executive Director 	▶ Steve was appointed a Non-Executive Director of Straker on 1 December 2004. ▶ He is a former partner of Ernst & Young. He qualified as a Chartered Accountant in the UK and has operated within the IT and finance industry in New Zealand for a number of years. ▶ Steve has significant experience as a director and investor in the SME sector in New Zealand, including a Finance Director role at accounting software provider, Greentree Software Group, which was sold to MYOB in 2016. Other current directorships include, Buro Seating Limited (office chair wholesaler) and New Zealand Pure Dairy Products Limited (infant formula manufacturer). ▶ Steve is Straker's former Chief Financial Officer and has been working with technology companies across a range of industries. ▶ Steve holds a Bachelor of Economics from the University of Lancaster and is a qualified Chartered Accountant and a current member of the Institute of Chartered Accountants in England and Wales.
Paul Wilson Non-Executive Director 	▶ Paul was appointed a Non-Executive Director of Straker on 22 September 2015. ▶ He is a co-founder of ASX listed Bailador Technology Investments (which is a major shareholder of Straker). He has had extensive private equity investment experience as a director of CHAMP Private Equity in Sydney and New York, with MetLife in London, and as executive director at media focussed investment group, Illyria. ▶ Paul is a director of SiteMinder, Stackla, Yellow (NZ), the Rajasthan Royals IPL cricket franchise and ASX listed Vita Group Limited. ▶ Paul holds a Bachelor of Business (Banking and Finance), from Queensland University of Technology and is a Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants of Australia and a Member of the Australian Institute of Company Directors.

Key Management	Experience
Grant Straker Founder and Managing Director	▸ As per above.
David Sowerby Chief Revenue Officer 	▸ David was appointed Chief Revenue Officer in 2008 and is based in Ireland. ▸ He was an early investor in Straker and has supported the growth of the business globally since the foundation of the Company as a translation provider. ▸ David is responsible for global revenue including building out the team that engages with customers, lifting the brand profile of the Company across active markets and ensuring newly acquired staff are retained. ▸ David has an MBA from Trinity College, Dublin.
Haydn Marks Chief Financial Officer 	▸ Haydn was appointed Chief Financial Officer in October 2016. ▸ With more than 18 years' financial management experience, Haydn has worked in and around the technology sector, in London, for global companies such as Temenos (software), Credit Suisse and Visa Europe, as well as PKF (advisory) in NZ. ▸ He has a keen interest in all commercial aspects of the business, including pricing and contract negotiations, is involved in planning, board reporting, capital raising, cash management and compliance. ▸ He is a member of the Institute of Chartered Accountants Australia and New Zealand and holds a Bachelor of Business from Massey University.
Indy Nagpal Chief Technology Officer 	▸ Indy was appointed Chief Technology Officer in 2005. ▸ He has over two decades of experience in the information technology industry, during which he has consulted and worked for a range of companies across the globe. ▸ At Straker, he is responsible for architecting and maintaining a reliable, scalable and secure platform. This includes building a robust team, web application development, database management, data analytics, hardware, network and security systems. ▸ He has a Masters' degree in Applied Psychology and a Post Graduate Diploma in Internet Management.
Merryn Straker Chief Operating Officer 	▸ Merryn was appointed Chief Operating Officer in 2000. ▸ She was a co-founder of Straker. ▸ Prior to co-founding Straker, Merryn worked as a marketing executive in the pharmaceutical industry. ▸ She is a board member of the Cerebral Palsy Society of New Zealand with NZ$28 million worth of assets and a board member of Te Tiro Toi Whakangaio, a NZ Government backed Maori Technology business initiative. ▸ Merryn has a Bachelor of Management Studies (majoring in management and HR) from Waikato University.

Key Management	Experience
Kim Andrews Chief People Officer 	▶ Kim was appointed Chief People Officer in 2013. ▶ Prior to joining Straker, Kim worked in the telecommunications industry for 16 years and has a strong background in leadership, HR and credit management. ▶ Kim was in the HR Leadership team at Vodafone prior to joining Straker.

6.2 Interests and benefits

This Section 6.2 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Straker; or
- manager to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.2.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Blackpeak Capital Pty Ltd (**Blackpeak**) has acted as financial adviser in relation to the Offer. On 7 December 2017, the Company issued 80,360 ordinary Shares at NZ$1.519 each to Blackpeak as part payment for the services provided by Blackpeak in connection with the **pre-IPO** capital raising conducted by the Company in December 2017. Cash consideration of AU$366,182 was also paid by the Company to Blackpeak for services provided in connection with the pre-IPO capital raising. The Company has agreed to pay approximately NZ$756,522 (excluding disbursements and GST) to Blackpeak for all other agreed services to be provided by Blackpeak in relation to the Offer subject to completion of the Offer;
- Bell Potter Securities Limited has acted as Lead Manager in relation to the Offer. The Company has agreed to pay the fees described in Section 9.5.1 for these services;
- PricewaterhouseCoopers has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately AU$400,000 (excluding disbursements and GST) for these services up until the Prospectus Date. An additional amount of AU$45,000 relating to the SaleCo arrangements is being borne by the Selling Shareholders;
- Bell Gully has acted as New Zealand legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ$120,000 (excluding disbursements and GST) for these services up until the Prospectus Date;
- BDO Corporate Finance (East Coast) Pty Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report. The Company has paid, or agreed to pay, approximately AU$216,822 (excluding disbursements and GST) for these services up until the Prospectus Date;

- BDO East Coast Partnership has acted as Australian and New Zealand taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately AU$95,000 (excluding disbursements and GST) for these services up until the Prospectus Date; and
- Frost and Sullivan has prepared an industry report commissioned by Straker in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ$20,652 (excluding GST) for this service up until the Prospectus Date.

6.2.2 Directors' and senior management interests and remuneration

6.2.2.1. Non-Executive Director Remuneration

Non-executive Directors of Straker (other than Straker's Chairman) will be paid AU$50,000 per annum from the date of the IPO to the end of FY19. The Chairman will be paid AU$80,000 from the date of the IPO to the end of FY19. Non-executive Director remuneration will be paid entirely in cash. Amounts paid to Non-executive Directors may increase in the future subject to the maximum amount approved by shareholders from time to time. Refer to Section 7.17.15 for more details.

6.2.2.2. Access, indemnity and insurance of Directors

Access

All non-executive Directors of Straker have been provided with a letter of appointment under which each Director is given the right to access board papers of the Company relating to the period of that director's term in office (including minutes, letters, submissions, memoranda, board committee and sub-committee papers and documents referred to in any of those documents) during the period of their appointment and for a seven year period after that Director ceases to hold office as a Director of the Company. Under the terms of the appointment letter, during the period of their appointment, Directors will also be given access to all appropriate financial and operating information necessary for the performance of their duties, as well as reasonable access to any other information or employees as required for the performance of their duties as Director of the Company, subject to the provisions of applicable laws.

Indemnity and Insurance

Under the terms of the Constitution, the Company must indemnify each Director:

- against any costs incurred by the Director as an officer of the Company or a related body corporate in any proceeding that relates to liability for any act or omission in that Director's capacity as a director of the Company, where judgement is given in that Director's favour, or in which that Director is acquitted or the action discontinued; and
- in respect of liability to any person other than the Company or a related entity of the Company for any act or omission in that Director's capacity as a director, or costs reasonably incurred by that Director (with the prior written consent of the Company) in defending or settling any claim or proceeding relating to any such liability,

to the extent permitted by relevant law.

The Company has entered into a deed of indemnity with each Director (**Deed**) under which the Director and the Company agree to comply with certain terms and conditions in respect of the above indemnities. Under the Deed, the Company must maintain in respect of each Director a directors' and officers' insurance policy for a total combined limit of NZ$10,000,000 in any one claim and in the aggregate, insuring each Director against liability as a director and officer of the Company and its related bodies corporate during the period of office of that Director and for a period of seven years after the Director ceases to hold office as a Director of the Company.

6.2.2.3. Other information about Directors' remuneration

The Company has established employee share option plan (**ESOP**) schemes to assist in the motivation, reward and retention of its Directors (as well as executive staff and other selected employees). There are currently two ESOP schemes in place for the Company, being the Legacy ESOP Scheme and the LTI ESOP Scheme. More information about these ESOP schemes are contained in Section 6.3.

As at the Prospectus Date, certain of the non-executive Directors of the Company hold options in Straker pursuant to the Legacy ESOP Scheme as follows:

Name	Total number of Options	Issue Date	Exercise Price	Vested/ Unvested
Phil Norman	41,960	October 2014	NZ$0.596	Vested
Steve Donovan	41,960	October 2014	NZ$0.596	Vested
Grant Straker	41,960	October 2014	NZ$0.596	Vested

Additional options have been issued to Directors under the LTI ESOP Scheme prior to the date of this Prospectus as detailed below:

Name	Total number of Options	Issue Date	Exercise Price
Phil Norman	50,000	September 2018	A$1.51
Steve Donovan	25,000	September 2018	A$1.51
Grant Straker	300,000	September 2018	A$1.51
Tim Williams	25,000	September 2018	A$1.51
Katrina Johnson	25,000	September 2018	A$1.51
Paul Wilson	50,000	September 2018	A$1.51

6.2.2.4. Directors interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares in the Company. Set out below are details of the relevant interests of Directors in Shares immediately prior to Completion of the Offer. Directors may also participate in the Offer, in which case their shareholdings as set out below will increase.

Table 6.2: Directors' proposed shareholding immediately prior to Completion of the Offer

Name	Total number of Shares	% of total Shares
Phil Norman	0	0.00%
Grant Straker	7,329,380	13.94%
Tim Williams	114,760	0.22%
Katrina Johnson	0	0.00%
Steve Donovan*	2,423,760	4.61%
Paul Wilson**	0	0.00%

* Note that 125,790 of the total Shares held by Steve Donovan are held by him as an independent trustee of a trust of which he is not a beneficiary.

**Note that Paul Wilson, a Non-Executive Director of Straker, is a co-founder, Executive Director and shareholder of Bailador Technology Investments Limited.

All of the Shares held by Directors on Completion of the Offer (other than any Shares acquired by them under the Offer at the Offer Price) will be subject to voluntary escrow arrangements, as detailed in Section 7.6.

6.2.2.5. Executive remuneration for Grant Straker and Merryn Straker

The current annual rates of remuneration for Grant Straker and Merryn Straker are:

Grant Straker: NZ$290,000

Merryn Straker: NZ$205,000

The senior management team are also entitled to benefits under Straker's executive incentive arrangements which are set out at Section 6.2.2.6 below.

6.2.2.6. Employee and executive incentive arrangements

The Board has agreed a bonus pool for the executive team based on performance targets relating to achieving the FY19 IPO forecasts. The total FY19 IPO forecast bonus pool is NZ$210,250. The allocation of the bonus pool is at the discretion of the Board. Grant Straker and Merryn Straker are eligible to participate in the bonus pool.

6.3 Equity Incentive Plans

The Company has established employee share option plan (**ESOP**) schemes to assist in the motivation, reward and retention of its Directors, executive staff and other selected employees. There are currently two ESOP schemes in place for the Company:

6.3.1 Legacy ESOP Scheme

In 2014 Straker established an ESOP scheme (the **Legacy ESOP Scheme**) to provide incentives for Directors, executive staff and employees of Straker by issuing eligible participants in the Legacy ESOP Scheme with options (**Legacy ESOP Options**) to acquire Shares in accordance with the terms of the Legacy ESOP Scheme. All Directors, executive staff and selected employees who participate in the Legacy ESOP Scheme will also be eligible to participate in the LTI ESOP Scheme, subject to the ASX Listing Rules.

The key elements of the Legacy ESOP Scheme are as follows:

Term	Description
Eligibility	Qualifying employees, senior executives and directors of Straker may participate in the Legacy ESOP Scheme, with eligibility and the number of Legacy ESOP Options offered to be determined by Straker's board of directors.
Vesting conditions	The Legacy ESOP Scheme is governed by scheme rules that provide for the vesting of issued Legacy ESOP Options to occur after a three year period has lapsed from the time of issue of the Legacy ESOP Options.
Exercise	After the Legacy ESOP Options have vested, participants may then choose to exercise their Legacy ESOP Options at any time within the specified exercise period by giving notice in writing to Straker and paying the relevant exercise price in respect of the Legacy ESOP Options being exercised. The exercise price of the Legacy ESOP Options as at the Prospectus Date varies from NZ$0.596 per Share to NZ$1.519 per Share.
Expiry	Legacy ESOP Options will expire at the end of the exercise period which is a date fixed in the offer letter to each particular participant.
Cessation of employment of holders of Legacy ESOP Options	Participants who cease their employment or directorship with Straker are given 60 days following termination to exercise any applicable Legal ESOP Options that have vested and are able to be exercised at that time. Unvested Legacy ESOP Options at the time of cessation of employment will be cancelled and be of no further effect.
Early exercise	Where certain events occur (including a transfer of all of the Company's assets, a merger whereby the Company is not the surviving entity, or the receipt of a notice of the proposed liquidation of the Company) all Legacy ESOP Options will become fully exercisable and may be exercised on or before the date that is 20 business days after the relevant event, after which time any unexercised Legacy ESOP Options will lapse.
Capital Restructure	Any reconstruction of share capital of Straker (including any consolidation, re-capitalisation, subdivision, share buyback or cancellation) will result in appropriate adjustments being made by the directors of Straker (in accordance with the requirements of the ASX Listing Rules and any applicable laws) to the aggregate number of shares to be issued on the exercise of any Legacy ESOP Options and/or the exercise price of any Legacy ESOP Options. Participants will have no other rights to a change in the exercise price of Legacy ESOP Options or the number of Shares to be issued and allotted on the exercise of Legacy ESOP Options under the terms of the Legacy ESOP Scheme.
Amendments	The terms of the Legacy ESOP Scheme may be amended, modified or varied by the Company in its absolute discretion where such amendments are required to be made for compliance with the ASX Listing Rules or any applicable law, or where such amendments are minor or technical in nature. The terms may not otherwise be amended, modified or varied in any way unless such amendment, is agreed to in writing by each party, and does not detrimentally affect the right participants in relation to the Legacy ESOP Options or Shares issued under the Legacy ESOP options.
Rights of holders of LTI Options to participate in bonus issues	Participants in the Legacy ESOP Scheme will not (in respect of their entitlement to shares underlying their Legacy ESOP Options) be permitted to participate in new share issues of Straker without exercising the applicable Legacy ESOP Options. Where the Company issues Shares to Shareholders pursuant to a pro-rata bonus issue in a manner that maintains the existing relative voting and distribution rights of all Shareholders, the participant will be entitled, on exercising the Legacy ESOP Options, to receive additional shares as if the Legacy ESOP Options had been exercised before the record date of the bonus issue.

As at the Prospectus Date, a total of 1,177,494 Legacy ESOP Options have been issued under the terms of the Legacy ESOP Scheme. Details of Legacy ESOP Options issued to Directors are contained at Section 6.2.2.3 of this Prospectus.

Straker does not intend to issue any further Legacy ESOP Options under the Legacy ESOP Scheme, but intends to retain the Legacy ESOP Scheme until all Legacy ESOP Options issued under the Legacy ESOP Scheme as at the Prospectus Date have been exercised or have lapsed.

Details of Shares issued pursuant to the exercise of Legacy ESOP Options under the Legacy ESOP Scheme will be published in each annual report of Straker relating to the period in which the Shares are issued.

6.3.2 LTI ESOP Scheme

The LTI ESOP Scheme has been designed to provide longer-term incentives to Directors, executive staff and selected employees and align their interests with those interests of Straker's shareholders by issuing participants in the LTI ESOP Scheme with options (**LTI ESOP Options**) to acquire Shares in accordance with the terms of the LTI ESOP Scheme.

The terms of the LTI ESOP Scheme are designed to be materially the same or substantially similar to those of the Legacy ESOP Scheme, with key elements as follows:

Term	Description
Eligibility	Qualifying employees, senior executives and directors of Straker may participate in the LTI ESOP Scheme, with eligibility and the number of LTI ESOP Options offered to be determined by Straker's board of directors.
Vesting conditions	The LTI ESOP Scheme is governed by scheme rules that provide for the vesting of issued LTI ESOP Options to occur after a certain time period has lapsed from the time of issue of the LTI ESOP Options, or a specified performance hurdle is achieved by the participant.
Exercise	After the LTI ESOP Options have vested, participants may then choose to exercise their LTI ESOP Options at any time within the specified exercise period by giving notice in writing to Straker and paying the relevant exercise price in respect of the LTI ESOP Options being exercised. The exercise price of the LTI ESOP Options as at the Prospectus Date is A$1.51 per Share.
Expiry	LTI ESOP Options will expire at the end of the exercise period which is a date fixed in the option certificate issued to each particular participant.
Cessation of employment of holders of Legacy ESOP Options	Participants who cease their employment or directorship with Straker (for reasons other than death or total and permanent disability) are given 60 days following termination to exercise any applicable LTI ESOP Options that have vested and are able to be exercised at that time. Participants who cease employment or directorship with Straker in circumstances constituting total and permanent disability then the Board in its absolute discretion may allow any LTI ESOP Options that are exercisable at the time to be exercised or cancelled with Shares issued representing any gain within a certain period. Unvested LTI ESOP Options at the time of cessation of employment will be cancelled and be of no further effect.
Early exercise	Where certain "change of control" events occur (including a transfer of all of the Company's assets, or a merger whereby the Company is not the surviving entity) all LTI ESOP Options will become fully exercisable and may be exercised on or before the date of the relevant event, after which time any unexercised LTI ESOP Options will lapse.
Capital Restructure	Any reconstruction of share capital of Straker (including any consolidation, re-capitalisation, subdivision, share buyback or cancellation) which affects the LTI ESOP Options will result in appropriate adjustments being made by the directors of Straker in such a manner as they consider to be equitable (in accordance with the requirements of the ASX Listing Rules and any applicable laws). Participants will have no other rights to a change in the exercise price of LTI ESOP Options or the number of Shares to be issued and allotted on the exercise of LTI ESOP Options under the terms of the LTI ESOP Scheme.

Term	Description
Amendments	The terms of the LTI ESOP Scheme may be amended, modified or varied by the Company in its absolute discretion where such amendments are required to be made for compliance with the ASX Listing Rules or any applicable law, or where such amendments are minor or technical in nature. The terms may not otherwise be amended, modified or varied in any way unless such amendment, is agreed to in writing by each party.
Rights of holders LTI Options to participate in bonus issues	Participants in the LTI ESOP Scheme will not be (in respect of their entitlement to shares underlying their LTI ESOP Options) permitted to participate in new share issues of Straker without exercising the applicable LTI ESOP Options. Where the Company issues Shares to Shareholders pursuant to a pro-rata bonus issue in a manner that maintains the existing relative voting and distribution rights of all Shareholders, the participant will be entitled, on exercising the LTI ESOP Options, to receive additional shares as if the LTI ESOP Options had been exercised before the record date of the bonus issue.

As at the date of this Prospectus, a total of 1,105,000 LTI ESOP Options have been issued under the LTI ESOP Scheme.

Details of LTI ESOP Options that have been issued to Directors or will be issued to Directors as at the Prospectus Date are contained at Section 6.2.2.3 of this Prospectus.

Details of LTI ESOP Options (or Shares issued pursuant to those LTIP ESOP Options) issued under the LTI ESOP Scheme will be published in each annual report of Straker relating to the period in which the LTI ESOP Options or the underlying Shares are issued.

6.4 Corporate governance

This section summarises the key corporate governance policies and practices adopted by the Company and outlines how the Board will oversee the management of Straker's business. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.strakertranslations.com/investors.

6.4.1 ASX Corporate Governance Principles

The ASX Corporate Governance Council has developed the ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for ASX listed entities to promote investor confidence and assist companies in meeting stakeholder expectations. The recommendations are guidelines and are not prescriptive, however, under the ASX Listing Rules, the Company will be required to disclose the extent of its compliance with the ASX Recommendations for each reporting period. Where the Company has not followed an ASX Recommendation, it will be required to identify the recommendation that has not been followed and give reasons for not following it.

The Company will also disclose in its annual report the extent of its compliance with the ASX Recommendations through provision of a link to its Corporate Governance Statement for that year which is available on Straker's website.

Except as set out below, the Company intends to comply with all of the ASX Recommendations from the time of its Listing:

- ASX Recommendation 4.1 provides that the board of a listed entity should have an audit committee that is chaired by an independent director who is not the chair of the entity's Board of directors. In determining the appropriate director to act as chair of Straker's Audit and Risk Management Committee, Straker's board of directors have had regard to the skills and experience of the board, and have determined that despite not being considered an independent director, Steve Donovan is the most appropriate member of the board to act as chair of the Audit and Risk Committee given his knowledge of Straker and its history of audit and risk issues, as well as his expertise and qualifications in the area of finance.
- Where the Company is unable to immediately comply with an ASX Recommendation from the time of Listing by virtue of it not having been subject to the ASX Recommendations prior to the Listing Date (for example, where Straker must set and review its progress against measurable objectives for achieving gender diversity on an annual basis), Straker intends to take actions to achieve compliance with those ASX Recommendations by the date of its annual report for FY19.

6.4.2 Board

6.4.2.1. Board composition

The Board is comprised of the non-executive Chairman who is independent, a managing director and four non-executive directors. The Board comprises:

- Phil Norman, Independent Non-Executive Chairman
- Grant Straker, Managing Director
- Tim Williams, Independent Non-Executive Director
- Katrina Johnson, Independent Non-Executive Director
- Steve Donovan, Non-Executive Director
- Paul Wilson, Non-Executive Director

The Board only considers a Director to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement.

6.4.2.2. Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out, among other items:

- The roles and responsibilities of the Board, including to approve the Company's strategic direction, oversee and appraise the Company's policies and performance, and oversee compliance with the Company's values and governance framework;
- The roles and responsibilities of the Chairman; and
- The Board composition and process of appointment and re-election of Directors, independence of Directors and Director's responsibilities.

6.4.3 Board committees

The Board may from time to time, establish appropriate committees to assist it to discharge its responsibilities and delegate specific functions. The Committees will examine proposals and provide advice to the Board with regard to the effectiveness of their respective programs. The Committees and their key roles and responsibilities are outlined below.

6.4.3.1. Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Phil Norman, Steve Donovan and Katrina Johnson. The Chairman of the Audit and Risk Committee will be Steve Donovan. The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, Auditing, financial reporting, risk management and compliance responsibilities, including:

- assessing the adequacy of management reporting on risks, operations and finances;
- monitoring compliance with laws, regulations and applicable standards;
- scrutinising accounting policies and reviewing financial statements;
- reviewing the performance of and consulting with external auditors;
- ensuring the maintenance of an effective and efficient audit; and
- reviewing risk management and internal control systems.

6.4.3.2. Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of Paul Wilson, Katrina Johnson and Tim Williams. The Chairman of the Remuneration and Nomination Committee will be Tim Williams. The role of the Remuneration and Nomination Committee includes:

- overseeing the human resources activities of the Company;
- overseeing the Company's strategies and policies relating to organisational structure, culture, employee performance and development, succession planning, growth, and remuneration;
- having oversight of remuneration practices evaluation;
- reviewing the composition, competencies, and implementation of frameworks of the Board and its Committees;
- evaluating the performance of the Board, its Committees and individual Directors;
- ensure proper succession plans are in place for consideration by the Board;
- review the Company remuneration strategy, structure and policy; and
- advise the Board on appropriate corporate governance policies for the Company.

6.4.4 Corporate governance code and policies

The Board has adopted the following corporate governance policies, each having been prepared with regard to the ASX Recommendations. These are available on Straker's website: www.strakertranslations.com/investors.

6.4.4.1. Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct, and has adopted a formal Code of Conduct that applies to all persons that act on behalf of Straker. The Code sets the Company's key values on various matters including ethical conduct, business conduct, compliance, privacy, security of information, financial integrity, and conflicts of interest, and how they should be applied.

6.4.4.2. Securities Trading Policy

The Company has adopted a Securities Trading Policy which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to certain restricted persons dealing in Shares, and in some instances, other securities and financial products. The restrictions have been imposed to prevent breaches of the law and to maintain investor confidence. The policy establishes "closed periods", during which restricted persons are prohibited from dealing in Shares (except in exceptional circumstances, with the prior written approval of the Company Secretary).

6.4.4.3. Continuous Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

6.4.4.4. Diversity Policy

The Company has adopted a Diversity Policy to promote a diverse environment. The Company recognises the short and long term benefits that can come from embracing diversity in the workplace.

6.4.4.5. Shareholder Communication Policy

The Company has adopted a Shareholder Communication Policy which sets out procedures to ensure that Shareholders are provided with sufficient and accurate information to assess the performance of Straker at regular intervals, and are informed of all major developments affecting the state of affairs of Straker, in accordance with applicable laws.

6.5 Related party interests

In addition to the executive service agreements described in Section 6.2.2, Straker's related party arrangements are referred to below.

- Over the previous three years, Steve Donovan (a non-executive Director of Straker) has provided professional acquisition negotiation services to the Company in relation to each of Straker's four acquisitions of Eurotext, Elanex, MSS and Eule. These professional services were provided by Steve Donovan to Straker under an undocumented arm's length arrangement for payment of professional fees. Straker intends to continue to engage the professional services of Steve Donovan in relation to any future acquisition activity conducted by the Company. Amounts paid to Steve Donovan under these arrangements total approximately NZ$56,000 up to and including the Prospectus Date.
- It is intended that shareholders of Bailador Technology Investments Limited (a major shareholder of Straker) as at the Bailador Record Date will be offered Shares under the Priority Offer with an aggregate total pool of up to AU$1 million worth of Shares, to be offered at the Offer Price. However, as far as the Company is aware, the shareholders of Bailador Technology Investments Limited (other than Paul Wilson) are not related parties of Straker.

section 7

DETAILS OF THE OFFER

7.1 Description of the Offer

This Prospectus relates to an offer of up to 14.1 million Shares, comprising the sale of 1.9 million Shares by SaleCo and the offer of up to 12.2 million New Shares by Straker. The total number of Shares on issue at the Completion of this Offer, will be 52.6 million. 27.7 million of these Shares will be held by Existing Shareholders and subject to voluntary escrow arrangements described in Section 7.6. All Shares will rank equally with each other.

The Offer has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.5.1.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

- the Retail Offer, consisting of the:
  - Broker Firm Offer – which is open to Australian and New Zealand resident retail clients of participating Brokers, who have a registered address in Australia and who receive an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States;
  - Priority Offer – which is open to selected investors nominated by Straker in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus; and
- the Institutional Offer – which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer was determined by agreement between the Lead Manager and the Company. For further information regarding the allocation of Shares within each of the Broker Firm Offer, Priority Offer and the Institutional Offer, see Sections 7.8.5, 7.9.5 and 7.12.2.

7.3 Purpose of the Offer

The Offer is being conducted for the purpose of meeting the following stated business objectives:

- provide the Company with access to capital markets which the Company expects will provide additional financial flexibility for the Company to pursue further growth opportunities, including, but not limited to, marketing, product development, acquisitions and other growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares:
- allow some investors to realise part of their investment in Straker; and
- assist the Company in attracting and retaining staff.

7.4 Source and uses of funds

The Offer is expected to raise AU$21.2 million.

Table 7.1 sets out in detail the sources and uses of funds.

Table 7.1: Sources and uses of funds

Sources of funds	AU$m	%	Uses of funds	AU$m	%
Offer Proceeds	21.2	100.0%	Payment of proceeds to Selling Shareholders	2.8	13.3%
			Investment in sales & marketing, investment in product development, general corporate purposes and customer acquisition, including potential additional acquisitions	13.5	63.6%
			Working capital	1.8	8.7%
			Costs of the Offer	3.1	14.4%
Total sources of funds	**21.2**	**100.0%**	**Total uses of funds**	**21.2**	**100.0%**

7.4.1 Potential effect of the fundraising on the future of Straker Translations

The Board believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations and sufficient working capital to fulfil the purposes of the Offer and carry out its stated business objectives as outlined in Section 7.3.

7.5 Shareholder structure

A total of 75 shareholders presently hold 100% of the Shares in the Company. The Existing Shareholders are expected to hold approximately 73.3% of the Shares on issue following Completion of the Offer based on the maximum subscription being raised.

The ownership structure of Straker immediately prior to and following the Completion of the Offer is shown in Table 7.2 below.

Table 7.2: Ownership structure

	Shares held immediately prior to the Offer		Shares held following Completion of the Offer	
Holder	Shares	Shares (%)	Shares	Shares (%)
Grant Straker, Merryn Straker and Angelina Hunter	7,329,380	18.1%	7,329,380	13.9%
Other senior management	1,271,540	3.1%	1,271,540	2.4%
Non-Executive Directors[2]	2,538,520	6.3%	2,538,520	4.8%
Bailador Technology Investments Limited	8,226,890	20.4%	7,404,201	14.1%
Other Existing Shareholders	21,041,110	52.1%	19,992,110	38.0%
New Shareholders	0	0.0%	14,057,119	26.7%
Total	**40,407,440**	**100.0%**	**52,592,870**	**100.0%**

Notes:

1. The table above assumes the Company issues the maximum number of Shares under the Offer, being 14.1 million. If the Company does not issue the maximum number of Shares then the total number of Shares on issue following the Offer will be reduced and the percentage of each person's holding will increase in proportion to the number of Shares actually issued. However, it is anticipated that the maximum number of Shares under the Offer will be issued given that the Offer is fully underwritten.
2. 125,790 of the total Shares held by Steve Donovan are held by him as an independent trustee of a trust of which he is not a beneficiary.

7.6 Escrow arrangements

An ‘escrow’ is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow arrangement.

Certain Existing Shareholders have agreed to enter into voluntary escrow arrangements in relation to certain of the Shares they will hold on Completion of the Offer. Details of the Shares to be subject to voluntary escrow arrangements are as follows:

Table 7.3: Voluntary Escrow Shareholders

Shareholder	Number of Shares subject to escrow on Completion of the Offer	Escrowed Period
Grant Straker, Merryn Straker and Angelina Hunter	3,664,690	Until the release to ASX of the Company’s half year FY20 financial results
	3,664,690	Until the release to ASX of the Company’s half year FY21 financial results
Other senior management	1,271,540	Until the release to ASX of the Company’s half year FY20 financial results
Tim Williams	114,760	Until the release to ASX of the Company’s half year FY20 financial results
Steve Donovan	2,297,970	Until the release to ASX of the Company’s half year FY20 financial results
Bailador Technology Investments Limited	1,645,378	Until the release to ASX of the Company’s full year FY19 financial results
	5,758,823	Until the release to ASX of the Company’s half year FY20 financial results
Tea Custodians (Milford) Limited	1,049,000	Until the release to ASX of the Company’s half year FY20 financial results
Blackpeak Capital Pty Ltd	80,360	Until the release to ASX of the Company’s half year FY20 financial results
Other Existing Shareholders	8,134,910	Until the release to ASX of the Company’s full year FY19 financial results
Total	**27,682,121**	

Note:
Actual registered holding of Shares may be held in the name of an entity controlled by, or associated with, each of the persons to be escrowed.The registered holder and/or controller of the Shares will be the party escrowed.

7.7 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary Shares in the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.17.
What is the consideration payable for each Share being offered?	The Offer Price is AU$1.51 per Share.
What is the Offer period?	The key dates, including details of the Offer period, are set out in the key dates on page 4 of this Prospectus. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company and the Lead Manager reserve the right to amend any or all of the times and dates of the Offer without notice subject to the ASX Listing Rules, the Corporations Act and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to cancel or withdraw the Offer without prior notice. If the Offer is cancelled or withdrawn before the allocation and issue of Shares to successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. No Shares will be issued on the basis of this Prospectus later than the Expiry Date. The quotation and commencement of trading of the Shares is subject to confirmation from ASX.
How much is to be raised under the Offer?	AU$21.2 million is expected to be raised under the Offer.
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Lead Manager.
Who is lead managing the Offer?	The Lead Manager is Bell Potter Securities Limited.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the: ▶ Broker Firm Offer is AU$2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for; and ▶ Priority Offer is AU$2,000 of Shares in aggregate. Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer invitation. For more information, see Sections 7.8.3 and 7.9.3.
What is the currency of application monies?	The application monies must be in Australian dollars. The Company will not accept application monies in New Zealand dollars or other currencies. Accordingly, the Offer may involve a currency exchange risk for investors outside of Australia given that the Shares will be quoted and traded on ASX in Australian dollars. For New Zealand investors who convert their New Zealand dollars into Australian dollars in order to pay the application monies to the Company, those New Zealand investors may be exposed to changes in the exchange rate between Australian dollars and New Zealand dollars which may impact on the amount realised from their securities upon any future disposal on ASX. These changes may be significant.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer was determined by the Lead Manager and the Company, having regard to the allocation policies outlined in Sections 7.8.5, 7.9.5 and 7.12.2. In respect of the Broker Firm Offer, it is a matter for each Broker to determine how they will allocate Shares among their eligible retail clients. The final allocation of Shares under the Priority Offer will be determined by the Company, in consultation with the Lead Manager, subject to the minimum allocation for Applicants under the Priority Offer. It is intended that shareholders of Bailador Technology Investments Limited as at the Bailador Record Date will be offered Shares under the Priority Offer with an aggregate total pool of up to AU$1 million worth of Shares, to be offered at the Offer Price.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 17 October 2018.
Will the Shares be quoted?	The Company will apply to ASX within seven days of the Prospectus Date for its admission to the Official List, and quotation of Shares by, ASX under the code 'STG'. Completion of the Offer is conditional on the ASX approving this application. If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by the Company will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription. For more information, see Section 7.16.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 22 October 2018. **It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.** To the maximum extent permitted by law, the Company, SaleCo, the Directors of the Company and SaleCo, the Existing Shareholders, the Share Registry, the Financial Adviser and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Straker IPO Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.9.
Are there any tax considerations?	Refer to Sections 9.7 and 9.8.

Topic	Summary
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.5.1 for details of various fees payable by the Company to the Lead Manager.
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Straker IPO Information Line on 1800 828 558 within Australia and + 61 1800 828 558 (outside Australia) from 8:30am to 5:30pm (AEDT) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.8 Broker Firm Offer

7.8.1 Who may apply

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and New Zealand who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.8.2 How to apply

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Broker Firm Offer Application Form, or download a copy at www.strakertranslations.com/investors. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Application Form and Application Monies are received before 5:00pm (AEDT) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Lead Manager, the Financial Adviser and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (AEDT) on 4 October 2018 and is expected to close at 5:00pm (AEDT) on 11 October 2018. The Company and the Lead Manager may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible after the Offer opens. Please contact your Broker for instructions.

7.8.3 Is there a minimum or maximum Application size?

The minimum Application size under the Broker Firm Offer is AU$2,000 of Shares in aggregate. There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right not to accept Applications in the Broker Firm Offer that are from persons they believe may be Institutional Investors or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than AU$250,000 of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

7.8.4 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by your Broker.

7.8.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers will be determined by the Lead Manager, in agreement with the Company. Shares which are allocated to Brokers for allocation to their Australian and New Zealand retail resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.8.6 Application acceptance and Application Monies

Applicants in the Broker Firm Offer will be able to call the Straker IPO Offer Information Line on 1800 828 558 (within Australia) or + 61 1800 828 558 (outside Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday (excluding public holidays) to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Straker IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

7.9 Priority Offer

7.9.1 Who can apply

The Priority Offer is open to selected investors nominated by the Company in eligible jurisdictions who have received a Priority Offer invitation to acquire Shares under the Prospectus. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons who are in the United States.

7.9.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation to apply.

Recipients of the Priority Offer invitation should read the separate offer letter and this Prospectus carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the online Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation and on the website containing the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications must be received by the date that is stated in the personalised Priority Offer Application Form and it is your responsibility to ensure that this occurs.

7.9.3 Is there a minimum or maximum Application size?

Applications under the Priority Offer must be for a minimum of AU$2,000 worth of Shares in aggregate. Your personalised invitation will indicate the maximum amount of Shares that you may apply for.

7.9.4 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the personalised Priority Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique CRN provided to you or generated by the online Application Form. Application Monies paid via BPAY® must be received by the Share Registry by the date that is stated in the personalised Priority Offer Application Form and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.9.5 What is the Priority Offer allocation policy?

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company, in consultation with the Lead Manager. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

It is intended that shareholders of Bailador Technology Investments Limited as at the Bailador Record Date will be offered Shares under the Priority Offer with an aggregate total pool of up to AU$1 million worth of Shares, to be offered at the Offer Price.

7.9.6 How do I confirm my allocation?

Applicants in the Priority Offer will be able to call the Straker IPO Offer Information Line on 1800 828 558 (within Australia) or + 61 1800 828 558 (outside Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday (excluding public holidays) to confirm their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Straker IPO Offer Information Line.

7.10 Acceptance of Applications under the Retail Offer

An Application in the Broker Firm Offer or Priority Offer is an offer by you to the Company to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form (or the dollar value equivalent) without further notice to the Applicant. The Company reserves the right to decline any Application if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company and the Lead Manager reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Shares at the Offer Price. Acceptance of an Application will give rise to a binding contract, conditional on settlement and quotation of Shares on ASX on an unconditional basis.

7.11 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Broker Firm Offer and Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

7.12 Institutional Offer

7.12.1 Invitations to Bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

7.12.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager by agreement with the Company.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- other factors that the Company and the Lead Manager considered appropriate.

7.13 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the AUD amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer and Priority Offer), or otherwise satisfies the requirements in Section 9.11;
- acknowledged and agreed that the Offer may be withdrawn by the Company and or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Broker Firm Offer, the Priority Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws in accordance with the US Securities Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with the US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.14 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside of Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities law.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

See Section 9.11 for further details regarding foreign selling restrictions.

7.15 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.16 ASX listing, registers and holding statements

7.16.1 Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days of the Prospectus Date for admission to the Official List and quotation of the Shares on the ASX. The Company's expected ASX code will be 'STG'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.16.2 CHESS and issuer sponsored holdings

The Company has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.17 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.17.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.17.2 Fully paid shares

The Shares are fully paid shares.

7.17.3 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held.

7.17.4 Meetings of Shareholders

Each Shareholder is entitled to receive notice of, attend and vote at shareholder meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Companies Act and the ASX Listing Rules. The Company must give Shareholders at least 10 days' written notice of a shareholder meeting.

7.17.5 Dividends

The Board may pay interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend and the timing and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 4.21.

7.17.6 Transfer of Shares

Subject to the ASX Listing Rules the ASX Settlement Operating Rules, the Companies Act and the Voluntary Escrow Deeds, the Shares are freely transferable.

The Board may decline to register, or prevent registration of, any paper-based transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Constitution, the Companies Act or the ASX Listing Rules.

7.17.7 Issue of further Shares

Subject to the Companies Act and the ASX Listing Rules, the Board has full discretion to issue new Shares and grant options over unissued Shares.

7.17.8 Winding up

If the Company is wound up, then subject to the Constitution, the Companies Act and the rights or restrictions attached to any Shares or classes of Shares, Shareholders will be entitled to any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of an ordinary resolution of Shareholders, divide the property of the Company amongst the Shareholders and decide how the property will be divided between the Shareholders, but the liquidator may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

7.17.9 Unmarketable parcels

Subject to the Companies Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel by following the procedures set out in the Constitution.

7.17.10 Share buy-backs

Subject to the Companies Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

7.17.11 Variation of class rights

At present, the Company's only class of Shares on issue is Shares. The rights attached to any class of Shares may be varied in accordance with the Constitution and the Companies Act.

7.17.12 Dividend reinvestment plan

Subject to the ASX Listing Rules, the Constitution authorises the Directors to, on any terms and at their discretion, establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by a subscription for new Shares).

7.17.13 Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and, subject to that limitation, the number of Directors to hold office shall be fixed from time to time by the Board. Directors are elected at annual meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual meeting or three years following the meeting at which the Director was last elected (whichever is longer). The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual meeting of the Company.

7.17.14 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or consent to the resolution.

7.17.15 Non-Executive Directors – remuneration

The Non-Executive Directors are entitled to be renumerated for an amount determined by the Board. At the Company's last annual general meeting held on 25 September 2018, shareholders resolved that the maximum aggregate sum per annum that may be paid to Non-Executive Directors collectively is AU$600,000 (or the equivalent amount in New Zealand dollars from time to time). In accordance with ASX Listing Rule 10.17 shareholder approval will be required if, in the future, it is proposed that this maximum amount be increased.

Under the Constitution, Directors may also be paid all travelling, accommodation and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or meetings of Shareholders or otherwise in connection with the Company's business.

Directors' remuneration is discussed further at Section 6.2.2.1.

7.17.16 Powers and duties of Directors

The business and affairs of the Company to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in a meeting of Shareholders.

7.17.17 Indemnities

The Company may indemnify each Director and officer of the Company to the full extent permitted by law against all losses or liabilities incurred by that person as a Director or officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis.

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director and officer of the Company against any liability incurred by that person as a Director or officer of the Company or its related bodies corporate, including, but not limited to, a liability for negligence or for legal costs.

7.17.18 Amendment

The Constitution can only be amended by special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote and voting on the resolution at a meeting of Shareholders.

section 8

INVESTIGATING ACCOUNTANT'S REPORT

Tel: +61 2 9251 4100
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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

The Board of Directors
Straker Translations Limited
18 Canaveral Drive
Rosedale
Auckland 0632
New Zealand

The Directors
Straker SaleCo Pty Ltd
Level 26, 44 Market Street
Sydney NSW 2000
Australia

26 September 2018

Dear Directors

Independent Limited Assurance Report

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (**BDO**) has been engaged by Straker Translations Limited (**Straker** or the **Company**) to prepare this Independent Limited Assurance Report (**Report**) for inclusion in a prospectus proposed to be issued in relation to the initial public offering of shares in Straker to be issued on or about 22 October 2018 (**Prospectus**) and listing on the Australian Securities Exchange (**ASX**) (the **Offer**).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

SCOPE

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards (**AAS**), New Zealand Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

SCOPE OF REVIEW OF THE HISTORICAL FINANCIAL INFORMATION

You have requested BDO to review the following historical financial information (together the **Statutory Historical Financial Information**) included in the Prospectus:

- The statutory historical consolidated statements of profit and loss and other comprehensive income for the years ended 31 March 2016 (**FY16**), 31 March 2017 (**FY17**) and 31 March 2018 (**FY18**);
- The statutory historical consolidated statements of cash flows for FY16, FY17 and FY18; and
- The statutory historical consolidated statement of financial position as at 31 March 2018.

The Statutory Historical Financial Information has been prepared under New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and presented in accordance with the recognition and measurement principles of the AAS, which are consistent with the Australian equivalents to International Financial Reporting Standards (A**IFRS**) and interpretations issued by the International Accounting Standards Board.

The Statutory Historical Financial Information has been extracted from financial statements of Straker for the financial periods ended 31 March 2016, 31 March 2017 and 31 March 2018 which were audited by BDO Auckland in accordance with International Standards on Auditing (New Zealand). BDO Auckland issued an unmodified opinion on the financial reports for the years ended 31 March 2016, 31 March 2017 and 31 March 2018.

SCOPE OF REVIEW OF THE PRO FORMA FINANCIAL INFORMATION

You have requested BDO to review the following pro forma financial information (together the **Pro forma Historical Financial Information**) included in the Prospectus:

- The pro forma historical consolidated statements of profit and loss and other comprehensive income for FY16, FY17 and FY18;
- The pro forma historical consolidated statements of cash flow for FY16, FY17 and FY18;
- The pro forma historical consolidated statement of financial position as at 31 March 2018; and
- Associated details of the pro forma adjustments

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Straker, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in NZ IFRS applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 31 March 2018. Due to its nature, the Pro forma Historical Financial Information does not represent the company's actual or prospective financial position.

Directors' Responsibility

The Directors of Straker and Straker SaleCo Pty Ltd (**SaleCo**) are responsible for the preparation of the Statutory Historical Financial Information and Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro forma Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with AAS or AIFRS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Review statement on the Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- 12 months ended 31 March 2016;
- 12 months ended 31 March 2017; and
- 12 months ended 31 March 2018

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

Review statement on the Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- 12 months ended 31 March 2016;
- 12 months ended 31 March 2017; and
- 12 months ended 31 March 2018

are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4 of the Prospectus.

SCOPE OF REVIEW OF THE FORECAST FINANCIAL INFORMATION

You have requested BDO to review the following forecast financial information (together the **Forecast Financial Information**) of Straker included in Section 4 of the Prospectus:

- The statutory forecast consolidated statement of profit and loss and other comprehensive income and statutory forecast consolidated statement of cash flows of Straker for the year ending 31 March 2019 (**FY19**), as described in Section 4 of the Prospectus. The Directors' best-estimate assumptions underlying the statutory forecast are described in Section 4 of the Prospectus; and

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- The pro forma forecast consolidated statement of profit and loss and other comprehensive income and pro forma forecast consolidated statement of cash flows of Straker for FY19, described in Section 4 of the Prospectus. The pro forma forecast has been derived from Straker's statutory forecast, after adjusting for the effects of the pro forma adjustments described in Section 4 of the Prospectus.

The Forecast Financial Information, to the extent possible, has been prepared on a consistent basis and in accordance with the recognition and measurement principles contained in AAS and AIFRS and Straker's adopted accounting policies. Due to its nature, the Forecast Financial Information does not represent the company's actual prospective comprehensive income and cash flows for the year ending 31 March 2019.

DIRECTORS' RESPONSIBILITY

The Directors of Straker and SaleCo are responsible for the preparation of the forecast for the year ending 31 March 2019 including the best-estimate assumptions underlying the forecast. They are also responsible for the preparation of the pro forma forecast for the year ending 31 March 2019, including the selection and determination of the pro forma adjustments made to the forecast and included in the pro forma forecast. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of a forecast and a pro forma forecast that are free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express limited assurance conclusions on the statutory and pro forma forecast, the best-estimate assumptions underlying the statutory and pro forma forecast, and the reasonableness of the forecast and pro forma forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE *3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with AAS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Forecast Review Statement

Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Director's best-estimate assumptions used in the preparation of the statutory forecast consolidated statement of profit and loss and other comprehensive income and the statutory forecast consolidated statement of cash flows of Straker for the year ending 31 March 2019 do not provide reasonable grounds for the forecast; and
- in all material respects, the forecast:
  - is not prepared on the basis of the Director's best-estimate assumptions as described in Section 4 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, being International Financial Reporting Standards; and
  - the forecast itself is unreasonable.

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Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Director's best-estimate assumptions used in the preparation of the pro forma forecast consolidated statement of profit and loss and other comprehensive income and the pro forma forecast consolidated statement of cash flows of Straker for the year ending 31 March 2019 do not provide reasonable grounds for the pro forma forecast; and
- in all material respects, the pro forma forecast:
  - is not prepared on the basis of the Directors' best-estimate assumptions, as described in Section 4 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation; and
  - the pro forma forecast itself is unreasonable.

The statutory forecast and pro forma forecast have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Straker for the year ending 31 March 2019. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast and pro forma forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The Directors' best-estimate assumptions on which the forecast and pro forma forecast relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Straker. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast and pro forma are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Straker, which are detailed in the Prospectus, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4 of the Prospectus demonstrates the impact on the forecast of changes in key best-estimate assumptions. We express no opinion as to whether the forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the forecast or pro forma forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Straker, that all material information concerning the prospects and proposed operations of Straker has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Straker not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides Straker with certain other professional services for which normal professional fees are received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Sebastian Stevens
Director

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

FINANCIAL SERVICES GUIDE

Dated: 26 September 2018

This Financial Services Guide is issued in relation to an independent limited assurance report (**ILAR**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDO**) at the request of the Directors of Straker Translations Limited (**Straker**) and Straker SaleCo Pty Ltd (**SaleCo**).

Engagement

The ILAR is intended to accompany the prospectus proposed to be issued on or about 22 October 2018 (**Prospectus**). The Prospectus is being issued in relation to an initial public offering of securities.

Financial Services Guide

BDO holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our ILAR being provided to you BDO is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDO is licensed to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the ILAR in connection with the issue of securities of another person.

Our ILAR includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our ILAR (as a retail client) because of your connection with the matters on which our ILAR has been issued.

Our ILAR is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the ILAR.

General financial product advice

Our ILAR provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the transaction described in the documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO may receive

BDO will receive a fee based on the time spent in the preparation of the ILAR in the amount of approximately c.A$211,000 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the proposed transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the transaction.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our ILAR was provided.

Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

Associations and relationships

BDO is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the ILAR on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (**ASIC**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO East Coast Partnership, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Email: info@fos.org.au

section 9
ADDITIONAL INFORMATION

9.1 Incorporation

The Company was incorporated in New Zealand on 21 December 1999 having New Zealand Business Number 942 903 739 6718. The Company is a foreign company, registered in Australia with ASIC on 10 September 2018 under Division 2 of Chapter 5B.2 of the Corporations Act with Australian Registered Body Number 628 707 399.

9.2 Company tax status and financial year

The Company has a balance date of 31 March. The Company is tax resident in New Zealand and subject to New Zealand income tax at a current rate of 28%.

9.3 Role of SaleCo

SaleCo has been established to facilitate the sale of some of the Existing Shares held by the Selling Shareholders.

SaleCo was incorporated in New South Wales, Australia on 20 August 2018. It is a special purpose vehicle. The sole shareholder in SaleCo is Phil Norman. The directors of SaleCo are Phil Norman and Paul Wilson.

As at the Prospectus Date, the Selling Shareholders have executed a deed poll (**Sale Deed Poll**) in favour of SaleCo under which they offer to sell some of their Existing Shares free from encumbrances and third-party rights. The total number of Shares which the Selling Shareholders have offered to sell is 1,871,689.

The Existing Shares that SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants under the Offer at the Offer Price. The aggregate price payable by SaleCo to Selling Shareholders for these Shares is the Offer Price multiplied by the number of Existing Shares that SaleCo acquires from Selling Shareholders, less an agreed contribution towards the costs of the Offer. The Company will separately issue New Shares to Successful Applicants under the Offer.

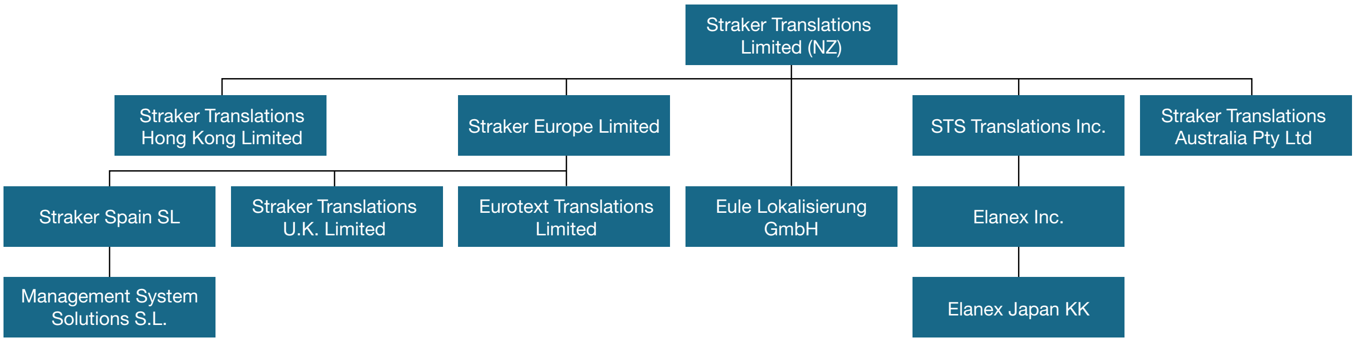
SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the Sale Deed Poll and deed of indemnity described below.

Pursuant to a deed of indemnity between the Company and SaleCo, the Company has indemnified SaleCo, its officers and shareholders for any loss that SaleCo may incur as a consequence of the Offer.

9.4 Corporate structure

The following diagram shows a high level corporate structure of the Group on Completion of the Offer. All of the companies pictured below Straker in the corporate structure diagram are wholly owned by Straker.

Figure 9.1: Corporate structure



Each of the wholly-owned entities above are operational entities which undertake the translation services business of Straker as set out in this Prospectus.

9.5 Material contracts

9.5.1 Underwriting Agreement

The Company, SaleCo and the Lead Manager have entered into an underwriting agreement dated 26 September 2018 (**Underwriting Agreement**) pursuant to which the Lead Manager agrees to arrange and manage the Offer, and to underwrite subscriptions for Shares under the Broker Firm Offer, the Priority Offer and the Institutional Offer for which valid applications are not received at the Offer Price.

9.5.1.1 Fees, costs and expenses

The Company has agreed to pay the Lead Manager an underwriting fee equal to 2.00% of the funds raised under the Offer, and a management fee equal to 2.00% of the funds raised under the Offer, each payable by the Company on the date of settlement of the Offer (as determined in the Underwriting Agreement). In addition, an incentive fee of up to 0.50% of the funds raised under the Offer may also be payable to the Lead Manager at the absolute discretion of the Company. Such incentive fee, if any, is to be paid to the Lead Manager within 14 days after the funds raised under the Offer are received by the Issuer and SaleCo (net of any set-off pursuant to the Underwriting Agreement or otherwise approved by the Company or SaleCo).

SaleCo will pay its respective proportion of the management fee, underwriting fee and incentive fee to the Company as determined under a side letter of agreement entered into between SaleCo and the Company on 26 September 2018.

The Company must also pay or reimburse the Lead Manager for certain other agreed costs and expenses incurred by the Lead Manager in relation to or incidental to the Offer. All such amounts will be payable within 14 days after receipt of an invoice by the Company from the Lead Manager, whether such costs and expenses are incurred before or after the date of the Underwriting Agreement and Completion of the Offer.

9.5.1.2 Warranties and undertakings

The Underwriting Agreement contains customary warranties and undertakings provided by the Company and SaleCo (as applicable) to the Lead Manager including, but not limited to, matters such as the powers and authorisations of the Company and SaleCo in respect of the Offer and the Underwriting Agreement, the conduct of the Offer, the solvency of the Company and the Group, and compliance with the Corporations Act, the Companies Act, the ASX Listing Rules and other legally binding requirements.

The Company and SaleCo also provide additional warranties in connection with matters including, but not limited to, the Shares, encumbrances, the accounts, future matters, due diligence information provided by the Company and SaleCo, the validity of any escrow agreements entered into in respect of Shares in the Company, litigation, eligibility for Listing and qualification of the Offer for the benefit of the NZ Mutual Recognition Scheme.

The Company's undertakings under the Underwriting Agreement include that:

- it will not, within a period of 6 months from Completion of the Offer, issue any Shares or other securities without the prior written consent of the Lead Manager subject to certain limited exceptions, including an issue of securities pursuant to an employee share or option plan as described in this Prospectus;
- it will not allow any Escrowed Shareholders to dispose of any of their Escrowed Shares until the expiry of the relevant Escrow Period (except in circumstances permitted by the relevant escrow deed or agreement between the Company and that Escrowed Shareholder) and will not agree to vary or terminate any escrow deed or agreement in respect of Escrowed Shares;
- it will not make any material public statement concerning the Offer without the prior written consent of the Lead Manager, except where in the Company's view it is reasonably required to do so by law or by ASX or ASIC;
- it will not prior to Completion of the Offer vary any term of its constitution without the prior written consent of the Lead Manager to the terms of the variation; and
- it will immediately notify the Lead Manager if it becomes aware of any breach of any term of the Underwriting Agreement or if it becomes aware of the occurrence of any "termination event" as defined under the Underwriting Agreement.

9.5.1.3 Indemnity

Subject to certain exceptions, the Company and SaleCo on a joint and several basis indemnify the Lead Manager and its related bodies corporate and representatives from and against certain losses and liabilities incurred directly or indirectly as a result of or in connection with the Offer.

9.5.1.4 Termination events not limited to materiality

The Lead Manager may immediately terminate the Underwriting Agreement at any time by notice given to the Company and SaleCo (without any costs or liability by notice to the Lead Manager) if any of the following events occur:

- **Misleading disclosures**: a statement in this Prospectus or any other offer documents in respect of the Offer (including the pathfinder Prospectus, Application Form and any other written communications provided to prospective investors by or on behalf of the Company or SaleCo or released to the public) (**Offer Documents**) is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from any of the aforementioned offer documents;
- **Non-compliance of Prospectus**: this Prospectus or any other Offer Document does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law;
- **Inability to meet forecast**: any forecast or forward looking statement in this Prospectus or other Offer Document becomes incapable of being met or unlikely to be met in the projected time;
- **ASX approval**: approval is refused or not granted by ASX to the Company's admission to the Official List of the ASX, or to the quotation of all of the Shares on the ASX, on or before the "ASX approval date" set out in the Underwriting Agreement (or, if granted, the ASX approval is subsequently withdrawn, qualified other than by conditions acceptable to the Lead Manager, or withheld);
- **Withdrawal of Offer**: the Company or SaleCo withdraws the Offer, this Prospectus or any other Offer Document;
- **Supplementary prospectus**: the Lead Manager reasonably forms the view that a supplementary prospectus must be lodged with ASIC and the Company and SaleCo do not lodge a supplementary prospectus with ASIC in the form and content required by the Lead Manager and within the time reasonably required by the Lead Manager;
- **New circumstance**: there occurs a new circumstance in relation to the Company or SaleCo that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged and which is materially adverse to an investor within the meaning of section 719 of the Corporations Act;
- **Government agency action**: ASIC or any other Australian or foreign government or government agency commences or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Company SaleCo, the Offer, the Prospectus or any other Offer Documents;
- **Consent withdrawn**: any person other than the Lead Manager gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in this Prospectus withdraws that consent;
- **Market fall**: at any time before Completion of the Offer, the S&P/ASX 200 Index or the S&P/ASX 300 Index closes at a level that is 10% or more below the level of that index as at 5.00pm (Sydney time) on the trading day immediately prior to the date of the Underwriting Agreement and is at or below that level:
  - for two consecutive trading days at any time before the "settlement date" set out in the Underwriting Agreement (the **Settlement Date**); or
  - on the business day immediately prior to the Settlement Date;
- **Timetable delay**: any event set out in the timetable in this Prospectus is delayed for more than two business days, unless the Lead Manager consents to a variation;
- **Repayment of Application Monies**: any circumstance arises after lodgement of this Prospectus that results in the Company or SaleCo either repaying the Application Monies received from Applicants or offering Applicants an opportunity to withdraw their Applications for Shares and be repaid their Application Monies;
- **Transaction documents**: any of the transaction documents (as defined in the Underwriting Agreement) are terminated, are able to be terminated pursuant to the Underwriting Agreement on the Settlement Date, are breached (by way of a failure to satisfy a condition precedent to completion), are amended without the prior written consent of the Lead Manager, or where a condition precedent to completion of any of the transaction documents becomes incapable of being satisfied in the reasonable opinion of the Lead Manager, or the Company or SaleCo waive any rights they may have under any of the transaction documents without the prior written consent of the Lead Manager.
- **Certificate not provided**: either the Company or SaleCo does not provide to the Lead Manager a certificate relating to satisfaction of certain conditions and obligations in the form specified in the Underwriting Agreement, as and when required by the Underwriting Agreement;
- **Insolvency**: the Company, SaleCo or any member of the Group becomes insolvent, enters into an arrangement or assignment for the benefit of its creditors, is appointed an administrator under Part 5.3A of the Corporations Act, or an application or order is made for the winding up, deregistration or dissolution of the Company, SaleCo or any member of the Group;
- **Failure to issue**: the Company or SaleCo is or becomes unable to issue or transfer the relevant Shares on Completion of the Offer;
- **Escrow arrangements**: any of the relevant escrow deeds or agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with, without the consent of the Lead Manager;
- **Directors**: a director or senior executive of the Company or SaleCo engages in any fraudulent conduct or activity, is charged with

an indictable offence relating to a corporate or financial matter or is disqualified from managing a corporation under any applicable law; or

- **NZ Mutual Recognition Scheme**: the Company or SaleCo fails to comply with the requirements of the NZ Mutual Recognition Scheme to enable the Offer to proceed on the basis of this Prospectus, under that regime.

9.5.1.5 Termination events limited to materiality

The Lead Manager may immediately terminate the Underwriting Agreement at any time by notice given to the Company and SaleCo (without any costs or liability by notice to the Lead Manager) if any of the following events occur and the Lead Manager has reasonable grounds to believe the event (i) has had or is likely to have a material adverse effect on the marketing, outcome or settlement of the Offer, the willingness of investors to subscribe for Shares under the Offer, or the subsequent market for the Shares offered under the Offer; or (ii) has given rise to or is likely to give rise to contravention or involvement by the Lead Manager in a contravention of the Corporations Act or any other applicable law, or a liability for the Lead Manager under any applicable law or regulation or rule of any stock exchange or regulatory body:

- **Due diligence disclosures**: the due diligence report or any other information provided by or on behalf of the Company and SaleCo to the Lead Manager in relation to the Offer, the Group, SaleCo, the Shares, the Prospectus or other Offer Documents is or becomes untrue, incorrect, misleading or deceptive;
- **Material adverse change**: any material adverse change occurs, or an event occurs which is in the reasonable opinion of the Lead Manager reasonably likely to give rise to a material adverse change in or affect the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group (including any change in the nature of business conducted by the Group or any change in the assets, liabilities, earnings, prospects or forecasts of the Group);
- **Material contracts**: any material contract of the Company identified in this Section 9.5 of this Prospectus is, amended or varied by the Company without the prior written consent of the Lead Manager, is breached by the Company, is terminated for any reason or ceases to have effect (otherwise than in accordance with its terms), or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect;
- **Change in laws**: any of the following occurs which does or is reasonably likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Shares under the Offer:
  - the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, the United Kingdom, the United States of America, Singapore, Malaysia or the Peoples Republic of China;
  - the public announcement of prospective legislation or policy by the Australian Federal Government or the government of any Australian State or Territory or the government of New Zealand; or
  - the adoption by ASIC, NZCO, FMA or its delegates or the Reserve Bank of Australia of any regulations or policy;
- **Breach of law or regulations**: the Company, SaleCo or any member of the Group contravenes the Corporations Act, its Constitution, the ASX Listing Rules or any other applicable law;
- **Warranties untrue**: any of the warranties or representations by the Company or SaleCo in the Underwriting Agreement or the letter of engagement between the Lead Manager and the Company are or become materially untrue or incorrect;
- **Breach**: the Company or SaleCo is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement;
- **Restricted activities**: the Company, SaleCo or the Group (without the prior written consent of the Lead Manager) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in this Prospectus, ceases or threatens to cease to carry on business, alters its capital structure (debt or equity), other than as contemplated in this Prospectus, amends the constitution or any other constituent document of the Company; or amends the terms of issue or transfer of the Shares under the Offer;
- **Adverse change in financial markets**: any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, NZX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
  - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, New Zealand, the United States of America, the European Union or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
  - after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting the Group or the Offer occurs.

- **Hostilities**: there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of Australia, New Zealand, the European Union; the United Kingdom; the United States of America; Japan; or the People's Republic of China, or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- **Change in management**: a change to the board of directors or the Managing Director or Chief Financial Officer of the Company occurs;
- **Encumbrances**: a member of the Group charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property;
- **Proceedings – persons other than ASIC**: a person other than ASIC or any other government or government agency commences any inquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Issuer, the Offer or the Offer Documents; or
- **Certificate incorrect**: a statement in any certificate required to be issued by the Company or SaleCo to the Lead Manager under the terms of the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect.

9.5.2 Escrow Arrangements

A number of Existing Shareholders are subject to voluntary escrow arrangements as set out in the table at Section 7.6 of this document.

Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their shareholding on Completion of the Offer (other than Shares acquired under the Offer), which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period as described above.

The restriction on disposing is broadly defined in the voluntary Escrow Deeds outlined in this Section 9.5.2. It restricts the Escrowed Shareholder from, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, creating or agreeing to create a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

9.5.2.1. Early Release

In addition, the Escrowed Shares of each Escrowed Shareholder are eligible for early release:

- To enable the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid. However, the escrow obligations will continue to apply to any Escrowed Shares which are not unconditionally bought by the bidder under the takeover bid;
- To enable the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act or its New Zealand equivalent. However, the escrow obligations will continue to apply to the Escrowed Shares if the merger does not take effect; or
- To enable the Escrowed Shareholders to participate in an equal access buy-back or equal return of capital or other similar pro rata reorganisation. However, the escrow obligations will continue to apply to any Escrowed Shares that are not bought back or cancelled as part of the reorganisation.

9.5.2.2. Restrictions on transfers

During the Escrow Period, Escrowed Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent the disposal is:

- Required by an order of a court of competent jurisdiction; or
- A transfer by the personal representative of the Escrowed Shareholder to whom the Escrowed Shares have been bequeathed; or
- To the Escrowed Shareholder's spouse or a company or entity under the full and effective control of the Escrowed Shareholder, where the transferee also enters into an escrow arrangement with the Company on substantially the same terms.

9.6 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to being named in the Prospectus in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below:

- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in respect of taxation and stamp duty) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- Bell Gully has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as New Zealand legal adviser (other than in respect of taxation and stamp duty) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- BDO Corporate Finance (East Coast) Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company and SaleCo in relation to the Offer in the form and context in which it is named, and has given and has not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which it is included (and all other references to the Investigating Accountant's Report and those statements) in this Prospectus;
- BDO East Coast Partnership has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the taxation adviser to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- BDO Auckland has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor of the Company for the financial years ended 31 March 2016, 31 March 2017 and 31 March 2018 in the form and context in which it is named;
- G.N.L Russell & Bedford has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor of MSS for the financial years ended 31 March 2017 and 31 March 2018 in the form and context in which it is named;
- Bell Potter Securities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager to the Offer in the form and context in which it is named;
- Blackpeak Capital Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Financial Adviser to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company; and
- Frost & Sullivan, Inc. has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus in the form and context in which it is named, and has given and has not withdrawn its consent to the inclusion in this Prospectus of statements specifically attributed to its "Market Report on the Language Services Market" (**Market Report**) in the text of, or by a footnote in, this Prospectus, in the form and context in which it is included (and all other references to the Market Report and those statements) in this Prospectus.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.6 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

This Prospectus also attributes certain statements to specific third parties where such statements are contained in certain sources, including books, reports, journals and comparable publications. Where consent has not been sought or obtained from these third parties, the Company and SaleCo have included such statements in the Prospectus in reliance on the relief available under ASIC Corporations (Consents to Statements) Instrument 2016/72.

9.7 Australian shareholders

The Australian and New Zealand taxation implications for Australian tax resident shareholders are as summarised below. This summary is not an exhaustive list of all taxation implications, and you should consult with a professional tax adviser for advice specific to your circumstances.

9.7.1 Shares in Foreign Company

Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management or control in Australia or its voting controlled by shareholders who are residents of Australia.

In order for the foreign company to be considered a tax resident company of Australia, the foreign company must satisfy both conditions. Straker does not carry on a business in Australia as such, it is not necessary to consider whether Straker's central management and control is in Australia or if its voting power is held by Australian resident shareholders.

Straker would not be a tax resident of Australia for taxation purposes. Furthermore, the issue of the Straker shares as a result of the IPO would not change the residency status of the company for income tax purposes. Therefore, the Straker shares issued as a result of the IPO would be considered a foreign sourced asset (ie shares in a foreign company) in the hands of Australian tax resident shareholders.

9.7.2 Foreign Sourced Dividends – Australia

Australian tax residents are subject to Australian income tax on their worldwide income (ie Australian and foreign sourced income). Where Straker declares and pays a dividend to Australian shareholders, foreign sourced imputed dividends would be included in the assessable income of the Australian Shareholders including a foreign tax credit for any New Zealand non-resident withholding tax deducted from the dividend.

Noting that, the underlying income tax paid by Straker would not qualify as a foreign tax credit and as such, the Australian shareholders would not be able to claim a tax credit in computing their Australian tax position.

9.7.3. Non-Resident Dividend Withholding Tax – New Zealand

The imputed dividends paid to the Australian Shareholders would be subject to non-resident dividend withholding tax at a rate of 15%. Noting that if the dividend is fully imputed and paid to a non-resident who holds greater than 10% shareholding interest in the company, the non-resident dividend withholding tax rate is 0%.

9.7.4 Capital Gains – Australia

The capital gains tax provisions generally apply to transactions which involve the disposal of an asset (ie shares, options, etc) acquired on capital account as such, the disposal of the Straker shares would be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the shares (broadly, the amount paid to acquire the shares plus any transaction costs incurred in relation to the acquisition or disposal of the shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Alternatively, a capital loss will be realised where the reduced cost base of the shares exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.7.5. Profit Making Intention – Australia

Any gain derived by Australian Shareholders who acquire their Straker shares on revenue account (ie Australian shareholder carrying on the business of share trading), may be assessable as ordinary income for Australian taxation purposes noting that, the general CGT discount concession would not be available. Correspondingly, any loss made on disposal may be deductible.

9.7.6. Capital Gains – New Zealand

New Zealand does not have a CGT regime. However, income tax is payable if the shares were acquired with the intention of resale (ie shares held on revenue account). The issue and disposal of the Straker shares under the IPO should not be subject to New Zealand income tax provisions.

9.8 New Zealand shareholders

The Australian and New Zealand taxation implications for New Zealand tax resident shareholders are as summarised below. This summary is not an exhaustive list of all taxation implications, and you should consult with a tax adviser for advice specific to your circumstances.

9.8.1 Foreign Sourced Dividends – Australia

New Zealand tax residents are subject to Australian income tax on their Australian sourced income only (ie foreign sourced income is not subject to Australian income tax). The source of the dividends paid by Straker would be sourced from New Zealand as the business operations to generate the dividends is carried on in New Zealand and other foreign jurisdictions excluding Australia. Therefore, the dividends paid by Straker would not be subject to Australian income tax provisions as the dividends would constitute foreign sourced income from an Australian income tax perspective.

9.8.2 Resident Dividend Withholding Tax – New Zealand

Straker could pay imputed dividends to its shareholders with attaching New Zealand tax credits. Fully imputed dividends would be subject to 5% resident withholding tax payable by the company and as such, the respective New Zealand tax resident shareholders would receive a New Zealand tax credit to offset against their tax liability.

9.8.3 Capital Gains – Australia

New Zealand tax residents are subject to Australian income tax on their Australian sourced income only. As such, the disposal of foreign assets would not be subject to Australian income tax in particular, any capital gain or loss that a foreign tax resident realises from a CGT event that happens in relation to a CGT asset that is not 'taxable Australian property' is disregarded (refer to Division 855).

The shares issued by Straker as a result of the IPO would be considered a foreign sourced asset (ie shares in a foreign company) as such, the Straker shares would not be considered to constitute 'taxable Australian property' in the hands of New Zealand tax resident shareholders. Therefore, where a New Zealand tax resident shareholder disposes of its shares in Straker, the said shareholder would not be subject to Australian CGT provisions.

9.8.4 Capital Gains – New Zealand

New Zealand does not have a CGT regime. However, income tax is payable if the shares were acquired with the intention of resale (ie shares held on revenue account). The issue and disposal of the Straker shares under the IPO should not be subject to New Zealand income tax provisions.

9.8.5 Stamp duty

On the issue or allotment of the Straker shares as part of the offer, no stamp duty should be payable. No stamp duty should be payable in respect of the acquisition or disposal of the Straker shares that are quoted on the ASX at the time of the transactions.

9.9 ASIC and ASX waivers and confirmations

9.9.1 ASIC

The Company has not applied to ASIC for any specific relief in connection with the Offer.

9.9.2 ASX Waivers and Confirmations

The Company has applied to ASX for the following ASX Listing Rule waivers and confirmations and has obtained in-principle confirmation from ASX that clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B of the ASX Listing Rules will not apply to any of the Existing Shares held by Existing Shareholders of Straker in accordance with the requirements of ASX Listing Rule 9.1.3.

9.10 Comparison of Australian and New Zealand laws

The Company is a company incorporated in New Zealand and it is principally governed by New Zealand laws. In Australia, the Company is registered with ASIC as a foreign company under Division 2 of Chapter 5B.2 of the Corporations Act. As the Company is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are generally not regulated by the Corporations Act and ASIC. The Company is regulated by New Zealand legislation, including the Companies Act, the Financial Markets Conduct Act and the New Zealand Financial Markets Authority and Registrar of Companies.

The table below summarises the key features of the laws that apply to the Company as a New Zealand company (under New Zealand law, including as modified by exemptions or waivers) compared with the laws that apply to Australian incorporated publicly listed companies generally. It is important to note that this summary does not purport to be a complete review of all matters of New Zealand law applicable to companies or to highlight all provisions that may differ from the equivalent provisions in Australia.

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a foreign company.

Feature	New Zealand Law	Australian Law
Transactions requiring shareholder approval	Under the Companies Act, principal transactions or actions which require shareholder approval include: ▸ adopting or altering the constitution of a company; ▸ appointing or removing a director or auditor; ▸ 'major transactions' – being transactions involving the acquisition or disposition (whether contingent or not) of assets, the value of which is more than half the value of the company's assets, or the acquisition of rights or interests or the incurring of obligations or liabilities (including contingent liabilities), the value of which is more than half the value of the company's total assets; ▸ putting the company into liquidation (however, liquidation can also occur other than by shareholder approval); and ▸ changes to the rights attached to shares.	Actions requiring shareholder approval under the Corporations Act are broadly comparable to those under the Companies Act. However, shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks, share splits and share capital reductions). Generally, there is no shareholder approval requirement for 'major transactions' under the Corporations Act, except that certain related party transactions require shareholder approval. Under the ASX Listing Rules, which will apply to the Company once listed, shareholder approval is required for, amongst other things: ▸ increases in the total amount of non-executive directors' fees; ▸ directors' termination benefits in certain circumstances; ▸ certain transactions with related parties and parties of influence; ▸ certain issues of shares; and ▸ if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.
Changes in the rights attaching to shares	A company must not take action that affects the rights attached to shares, unless that action has been approved by a special resolution of each interest group of shareholders. An "interest group" in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company.	The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares. If a company does not have a constitution, or has a constitution that does not set out such a procedure, such rights may only be varied or cancelled by: ▸ a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class or whose rights are being varied or cancelled; or ▸ a written consent of members with at least 75% of the votes in the class.

Feature	New Zealand Law	Australian Law
Shareholder protections against oppressive conduct	A shareholder or former shareholder of a company (or any other person who holds any rights and powers of a shareholder under the constitution) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her in any capacity may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit.	Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make such orders as it considers appropriate.
Shareholders' rights to request a meeting	A shareholder or shareholders holding shares carrying at least 5% of the voting rights may make a request for a meeting of shareholders.	Under the Corporations Act shareholders have a right to request a meeting through two methods: 1. Shareholders with at least 5% voting rights can themselves have a right to request a meeting at their own expense. 2. The board is required to call a general meeting on the request of shareholders with at least 5% of the votes that may be cast at the general meeting.
Shareholders' right of appointment of proxies	Shareholders have the right to appoint a proxy to attend and vote at meetings on their behalf under the Companies Act. The proxy must be appointed by notice in writing signed by the shareholder or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must specify whether the appointment is for a particular meeting or a specified term.	Under the Corporations Act a shareholder of a company who is entitled to attend and cast a vote at a member's meeting may appoint a proxy to attend and vote.
Shareholders' rights to bring or intervene in legal proceedings on behalf of the company	A court may, on the application of a shareholder of a company, grant leave to that shareholder to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company or related company.	The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.

Feature	New Zealand Law	Australian Law
Remuneration reports and the "2 strikes" rule	There is no equivalent of the "2 strikes" rule in relation to remuneration reports in New Zealand. New Zealand companies are not required to publish remuneration reports. There is however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period. There is also an obligation to disclose the number of employees or former employees of the company, not being directors of the company, who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was NZ$100,000 per annum or greater, stated in brackets of NZ$10,000.	Section 300A of the Corporations Act requires that an Australian listed public company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report). Under section 250U of the Corporations Act, the "2 strikes" rule applies to Australian listed public companies. The "2 strikes" rule only applies if at two consecutive AGMs' of the company, at least 25% of the votes cast on a resolution that the remuneration report be adopted were against adoption of the report and a resolution was not put to the vote at the earlier AGM under an earlier application of section 250V of the Corporations Act. Under section 250V, at the second AGM, there must be put to the vote a resolution (the spill resolution) that another general meeting (the spill meeting) be held within 90 days and all the company's directors (who were directors when the resolution to make the director's report was considered at the second AGM and are not a managing director of the company) cease to hold office immediately before the end of the spill meeting. Also, at the spill meeting, it must be put to vote to appoint persons to offices that will be vacated.
Disclosure of substantial holdings	The Financial Markets Conduct Act requires every person who is a "substantial product holder" in a listed issuer to give notice to that listed issuer and NZX that they are a substantial product holder. However, this provision will not apply to the Company as the Company is not listed on NZX. Rather, the disclosure regime in the ASX Listing Rules will apply.	The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if: ▶ the person begins to have, or ceases to have, a substantial holding in the company or scheme; ▶ the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or ▶ the person makes a takeover bid for securities of the company. Under the Corporations Act a person has a substantial holding if: ▶ the total votes attached to voting shares in the company in which they or their associates have relevant interests (or would have a relevant interest but for s609(6) (market traded options) or s609(7) (conditional agreements)) is 5% or more of the total number of votes attached to voting shares in the company; or ▶ the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended. These provisions do not apply to the Company as an entity established outside Australia.

Feature	New Zealand Law	Australian Law
Regulation of Takeovers	The New Zealand position under the Takeovers Code is comparable to the Australian position in relation to the regulation of takeovers. For the purposes of the Takeovers Code, a "code company" is a company which is a listed issuer that has financial products that confer voting rights quoted on the NZX or a company that has 50 or more shareholders and 50 or more parcels of shares. A 20% threshold applies (under which a person may not become the holder or controller of an increased percentage of the voting rights in a code company unless after the event, that person and their associates hold or control in total not more than 20% of the voting rights in the code company, or may not become the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights). This is subject to certain exceptions, including full and partial offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval. Persons who hold or control 90% or more of the voting rights in a code company are permitted compulsory acquisitions.	The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if: ▶ any person's voting power in the company will increase from 20% or below to greater than 20%, or ▶ where the person already holds shares giving that person voting power of above 20% and below 90%. Exceptions to the prohibition apply (eg. acquisitions with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions). Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company. The Australian takeovers regime will not apply to the Company as it is a New Zealand company.

9.11 Foreign selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia and New Zealand except to the extent permitted below.

9.11.1. Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in section 1 of Part 1 of Schedule 1 to the SFO (including professional investors falling within paragraph (j) of the definition of professional investor in that section)).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to professional investors (as defined in the SFO) only.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.11.2. United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who are investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within any of the categories of persons referred to in Article 49(2)(a) to (d) of the FPO and (iii) to whom it may otherwise be lawfully communicated in accordance with the FPO (together, "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.12 Costs of the Offer

The total offer costs have been estimated to be NZ$3.51 million (AU$3.23 million) (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Lead Manager's management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). Of these total costs NZ$3.33 million (AU$3.06 million) have been, or will be, borne by the Company from the proceeds of the Offer.

9.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.14 Legal proceedings

Straker may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business.
So far as the Directors are aware, as at the Prospectus Date, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecutions of a material nature in which Straker is directly or indirectly concerned which is likely to have a material adverse impact on the business or the financial position of Straker.

9.15 Statement of Directors

The issue of this Prospectus has been authorised by each Director and each SaleCo Director who has consented to its lodgement with ASIC and its issue, and has not withdrawn that consent.

appendix A

SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of the Financial Information set out in this Prospectus.

a) Basis of Preparation

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

The financial statements are presented in New Zealand dollars (NZ), which is also the functional currency of the parent company. Amounts are rounded to the nearest dollar 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.

b) 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 Parent controls a subsidiary if and only if the Parent has all the following: (a) power over the subsidiary; (b) exposure, or rights, to variable returns from its involvement with the subsidiary; and (c) the ability to use its power over the subsidiary to affect the amount of the Parent's returns.

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.

c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and is recorded net of sales taxes, value added taxes, discounts and after eliminating sales within the Group.

Translation services

Translation contracts are typically designed around milestone achievement. Normally invoicing is aligned to these milestones. Revenue recognition, however, is aligned to the percentage of work completed based on the total amount of contractual work.

Translation income invoices for services not yet performed are deferred as deferred revenue liability on the Statement of Financial Position until the state 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 Work in Progress 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.

d) Income tax

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.

e) Foreign currency translation of Group companies' functional currency to presentation currency

The transactions of foreign subsidiaries are translated into New Zealand dollars at the average monthly rate, determined as a fair approximation the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve (**FCTR**) in other comprehensive income.

When a foreign operation is disposed of in part or in full, the relevant amount in the FCTR is transferred to the profit or loss as part of the profit or loss on disposal.

f) Intangible assets

Capitalised software development

Research costs are expensed as incurred. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets where the following criteria are met:

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

Other development expenditures that do not meet these criteria are expensed when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the time at which they are available for use on a straight-line basis over the period of its expected benefit, not exceeding five years.

Capitalised development costs are carried at cost less accumulated depreciation and impairment losses.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed (currently five years). The amortisation expense is included within the administration expenses in profit or loss.

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

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.

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:

i. Customer relationships/contracts

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

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

The fair value at the date of acquisition is determined by estimated discounted cash flow valuation using the multi-period exceeds earnings technique.

ii. 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.

iii. 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 5-7 years.

iv. Goodwill impairment

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

g) Business combinations and deferred consideration liabilities

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 and considering the likelihood of the subsidiaries achieving their earn out targets in determining the deferred consideration liabilities.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

i) 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 LTI ESOP Scheme 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.

appendix B

GLOSSARY

Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
Adjusted EBITDA	EBITDA adjusted for acquisition expenses and non-operating items.
AEDT	Australian Eastern Daylight Time.
APAC	The Asia Pacific region.
Applicant	A person who submits an Application.
Application	An application to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities exchange that it operates, as the context requires.
ASX Recommendations	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition, March 2014).
ASX Listing Rules	The listing rules of the ASX.
ASX Settlement Operating Rules	The settlement operating rules of ASX Settlement Pty Limited (ACN 008 504 532) and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ACN 001 314 503).
ATO	Australian Taxation Office.
AUD	Australian Dollars.
Audit and Risk Committee	The Board's audit and risk sub-committee.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board.
Bailador Record Date	7:00pm on 1 October 2018 (Sydney time) or such other time and date as Bailador Technology Investments Limited may publicly announce on ASX to its shareholders.
Bell Potter or Bell Potter Securities Limited	Bell Potter Securities Limited (ACN 006 390 772).
Board or Board of Directors	The board of directors of the Company.
BPAY®	The payment mechanism used to pay Application Monies online.
Broker	An ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
Broker Firm Applicant	An Australian resident client of a Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of participating Brokers who have received a firm allocation from their Broker, as described in Section 7.8.
Broker Firm Application Form	The Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form.
CAGR	Compound annual growth rate.
CGT	Capital Gains Tax.
CHESS	ASX's Clearing House Electronic Sub-register System. See Section 7.16.2.
Closing Date	The date on which the Offer is expected to close, being 11 October 2018 in respect of the Retail Offer.
Companies Act	Companies Act 1993 (New Zealand).
Company or Straker	Straker Translations Limited (ARBN 628 707 399).

Term	Meaning
Completion of the Offer	Completion in respect of the allotment and issue of Shares by the Company.
Consenting Party	Each of the parties listed in Section 9.6.
Constitution	The constitution of the Company as at the Prospectus Date.
Corporations Act	*Corporations Act 2001* (Cth).
Director	A member of the Board.
Diversity Policy	The Company's diversity policy adopted by the Board.
EBIT	Earnings before interest and taxation.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
EMEA	The Europe, Middle East and Africa region.
Employees	Employees of Straker.
Enterprise Value	The sum of the market capitalisation of the Company at the Offer Price less the expected net cash at Completion of the Offer.
Escrow Period	The period defined in Section 7.6.
Escrowed Shareholders	The holders of Shares that are escrowed for a period of time referred to, and described, in Section 7.6.
Escrowed Shares	Each of the Shares held by the Escrowed Shareholders at Completion of the Offer, as described in Section 7.6.
Eule	Eule Lokalisierung GmbH.
Existing Shareholders	The holders of Existing Shares as at the Prospectus Date.
Existing Shares	Fully paid ordinary Shares in the capital of Straker that have been issued by the Company prior to the Prospectus Date.
Expiry Date	The date which is 13 months after the Prospectus Date.
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Prospectus Date (which may be extended by ASIC by a further period of 7 days), during which no Applications may be accepted or processed by the Company.
Financial Adviser	Blackpeak Capital Pty Ltd (ACN 601 350 841).
Financial Information	The financial information described as Financial Information in Section 4.
FMC Act	Financial Markets Conduct Act 2013.
FMCG	Fast moving consumer goods.
Forecast Financial Information	The financial information described as Forecast Financial Information in Section 4.
FY	Abbreviation for the financial year ending 31 March.
GDPR	EU General Data Protection Regulation.
Group	References to the Group are to Straker and its controlled entities, (and, where the context requires, the businesses conducted by those entities) and in this Prospectus mean one or more of those entities.
GST	Goods and services tax.
1HFY	Abbreviation for the first half of the financial year ending 31 March.
2HFY	Abbreviation for the second half of the financial year ending 31 March.
HIN	Shareholder's Holder Identification Number.
Historical Financial Information	The financial information described as Historical Financial Information in Section 4.
IFRS	International Financial Reporting Standards.

Term	Meaning
Institutional Investor	An investor who is: ▸ a person who is wholesale client under Section 761G of the Corporations Act and either a "professional investor" or "sophisticated investor" under sections 708(11) and 708(8) of the Corporations Act; or ▸ an institutional investor in certain other jurisdictions, as agreed between the Company, SaleCo and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (expect one with which the Company is willing in its discretion to comply); and ▸ provided that in each case such investor is not in the United States.
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors, as described in Section 7.12.
Investigating Accountant	BDO Corporate Finance (East Coast) Pty Limited.
Investigating Accountant's Report	The report provided by the Investigating Accountant as set out in Section 8.
KPI	Key performance indicator.
Lead Manager	The Lead Manager to the Offer, being Bell Potter.
Legacy ESOP Option	An option to acquire a Share under the terms of the Legacy ESOP Scheme.
Legacy ESOP Scheme	An employee incentive scheme established by Straker in 2014 whereby Straker may issue to Directors, executive staff and selected employees options to purchase Shares pursuant to the terms of the scheme.
Listing	The expected admission of the Company to the Official List of ASX.
LTI ESOP Option	An option to acquire a Share under the terms of the LTI ESOP Scheme.
LTI ESOP Scheme	An employee incentive scheme established by Straker in September 2018 whereby Straker may issue to Directors, executive staff and selected employees options to purchase Shares pursuant to the terms of the scheme.
Management	The executive management team of the Company, including those people named in Section 6.1.
Market Report	Frost & Sullivan, 'Market Report on the Language Services Market' (29 August 2018), commissioned by Straker.
MSS	Management System Solutions, S.L.
Non-Executive Director	A member of the Board who does not form part of Management.
New Shares	The new Shares to be issued by the Company under the Offer.
New Shareholders	Shareholders who were not Existing Shareholders at the Prospectus Date.
NPAT	Net profit after tax.
NZ GAAP	New Zealand Generally Accepted Accounting Practices.
NZ IFRS	The New Zealand equivalent to the IFRS for public companies.
NZD	New Zealand Dollar.
Offer or IPO	The offering of Shares under this Prospectus.
Offer Price	AU$1.51 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Priority Offer	Means an offer which is open to selected investors nominated by the Company in eligible jurisdictions, who have received a Priority Offer invitation to acquire Shares under this Prospectus.
Pro Forma Historical Financial Information	Defined in Section 4.
Pro Forma Historical Income Statements	Defined in Section 4.

Term	Meaning
Pro Forma Historical Cash Flows	Defined in Section 4.
Pro Forma Historical Balance Sheet	Defined in Section 4.
Pro Forma Forecast Income Statement	Defined in Section 4.
Pro Forma Forecast Cash Flows	Defined in Section 4.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 26 September 2018.
RAY Translation Platform	Straker's proprietary 'RAY Translation Platform' which is an enterprise grade, end-to-end cloud-based platform that allows human translators to deliver faster and more accurate translations.
Remuneration and Nomination Committee	The Board's remuneration and nomination sub-committee.
Retail Offer	Comprises the Broker Firm Offer and the Priority Offer.
SaleCo	Straker SaleCo Pty Ltd (ACN 628 262 297).
Securities Trading Policy	Means the Company's securities trading policy, as adopted by the Board.
Selling Shareholders	Bailador Technology Investments Limited and Tea Custodians (Milford) Limited.
Shareholder Communication Policy	Means the Company's shareholder communication policy, as adopted by the Board.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A registered holder of a Share or Shares.
Share Registry	Link Market Services Limited (ACN 083 214 537).
SRN	Securityholder Reference Number issued by the Share Registry.
Statutory Historical Income Statements	Defined in Section 4.
Statutory Historical Cash Flows	Defined in Section 4.
Statutory Historical Balance Sheet	Defined in Section 4.
Statutory Forecast Income Statement	Defined in Section 4.
Statutory Forecast Cash Flows	Defined in Section 4.
Straker or Company	Straker Translations Limited (ARBN 628 707 399).
TFN	Tax file number.
Underwriting Agreement	The underwriting agreement between the Company, SaleCo and the Lead Manager in relation to the Offer, as described in Section 9.5.1.
US Securities Act	The Securities Act 1933 (United States of America).
Voluntary Escrow Deed	A voluntary escrow deed entered into by Straker and each Escrowed Shareholder in respect of their Escrowed Shares.
VWAP	Volume Weighted Average Price.

Corporate **directory**

Company's Registered Office

Straker Translations Limited
c/o BDO Auckland
Level 4, 4 Graham Street,
Auckland 1010 New Zealand

Lead Manager and Underwriter

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Financial Adviser

Blackpeak Capital Pty Ltd
40-42 Young Street
Sydney NSW 2000

Taxation adviser

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000

Auditor

BDO Auckland
Level 4, Building A, BDO Centre
4 Graham Street
Auckland 1010 New Zealand

Australian Legal Adviser

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

New Zealand Legal Adviser

Bell Gully
Level 21, ANZ Centre,
171 Featherston Street
Wellington 6140 New Zealand

Investigating Accountant

BDO Corporate Finance (East Coast) Pty Limited
Level 11, 1 Margaret Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

straker
TRANSLATIONS