UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-1370538** (I.R.S. employer Identification No.)
4610 South Ulster Street, Suite 150, Denver, Colorado (Address of principal executive offices)	**80237** (Zip code)

(303) 262-4500

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**SRT**	**New York Stock Exchange, Inc.**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 02, 2023, there were 40,301,809 shares of Common Stock outstanding.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the following:

- certain statements, including possible or assumed future results of operations, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- any statements regarding the prospects for our business or any of our services;
- any statements preceded by, followed by or that include the words “may,” “will,” “should,” “seeks,” “believes,” “expects,” “anticipates,” “intends,” “continue,” “estimate,” “plans,” “future,” “targets,” “predicts,” “budgeted,” “projections,” “outlooks,” “attempts,” “is scheduled,” or similar expressions; and
- other statements regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to, those items described herein or set forth in the Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 28, 2023 and this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023. Unless otherwise noted in this report, any description of "us," "we," or "our," refers to Startek, Inc. ("Startek") and its subsidiaries.

FILING STATUS

In accordance with the SEC's expanded definition of Smaller Reporting Companies effective September 10, 2018, Startek qualifies for Smaller Reporting Company status. As such, it has decided to take advantage of the relief provided from Part 1, Item 3.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (LOSS)

(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	**91,197**	**96,147**	**183,286**	**197,239**
Cost of services	(79,534)	(85,113)	(158,641)	(172,416)
Gross profit	**11,663**	**11,034**	**24,645**	**24,823**
Selling, general and administrative expenses	(10,798)	(9,848)	(21,107)	(21,809)
Impairment (losses)/ reversals and restructuring/exit cost	442	(78)	125	(73)
Operating income (loss)	**1,307**	**1,108**	**3,663**	**2,941**
Share of income (loss) of equity accounted investee	-	3,833	-	3,825
Interest expense and other income (expense), net	(1,582)	(1,315)	(3,659)	(3,045)
Foreign exchange gains (losses), net	345	124	417	(100)
Income (loss) from continuing operations before tax expenses	**70**	**3,750**	**421**	**3,621**
Tax expenses	(101)	(1,303)	(1,010)	(1,941)
Income (loss) from continuing operations, net of tax (A)	**(31)**	**2,447**	**(589)**	**1,680**
Income (loss) before income tax expenses from discontinued operations	(910)	301	2,751	2,809
Pre-tax gain on disposal	11,666	-	11,666	-
Tax expenses of discontinued operations	(4,190)	(120)	(5,374)	(1,575)
Income (loss) from discontinued operations, net of tax (B)	**6,566**	**181**	**9,043**	**1,234**
Net income (loss) (A+B)	**6,535**	**2,628**	**8,454**	**2,914**
Income (loss) from continuing operations (A)				
Income (loss) attributable to noncontrolling interests	-	-	-	-
Income (loss) attributable to Startek shareholders	(31)	2,447	(589)	1,680
	(31)	**2,447**	**(589)**	**1,680**
Income (loss) from discontinued operations (B)				
Income (loss) attributable to noncontrolling interests	-	761	2,589	2,290
Income (loss) attributable to Startek shareholders	6,566	(580)	6,454	(1,056)
	6,566	**181**	**9,043**	**1,234**
Net income (loss) (A+B)				
Net income (loss) attributable to noncontrolling interests	-	761	2,589	2,290
Net income (loss) attributable to Startek shareholders	6,535	1,867	5,865	624
	6,535	**2,628**	**8,454**	**2,914**
Net income (loss) per common share from continuing operations				
Basic net income (loss) attributable to Startek shareholders	(0.00)	0.06	(0.01)	0.04
Diluted net income (loss) attributable to Startek shareholders	(0.00)	0.06	(0.01)	0.04
Net income (loss) per common share from discontinued operations				
Basic net income (loss) attributable to Startek shareholders	0.16	(0.01)	0.16	(0.02)
Diluted net income (loss) attributable to Startek shareholders	0.16	(0.01)	0.16	(0.02)
Net income (loss) per common share from continuing and discontinued operations				
Basic net income (loss) attributable to Startek shareholders	0.16	0.05	0.15	0.02
Diluted net income (loss) attributable to Startek shareholders	0.16	0.05	0.15	0.02
Weighted average common shares outstanding				
Basic	40,316	40,284	40,302	40,311
Diluted	40,318	40,308	40,314	40,366

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Net income (loss) (A+B)	**6,535**	**2,628**	**8,454**	**2,914**
Net income (loss) attributable to noncontrolling interests	-	761	2,589	2,290
Net income (loss) attributable to Startek shareholders	6,535	1,867	5,865	624
Other comprehensive income (loss), net of taxes from continuing operations:				
Foreign currency translation adjustments	(2,401)	(3,934)	(2,525)	(3,388)
Pension amortization	-	(64)	124	-
Other comprehensive income (loss) from continuing operations	**(2,401)**	**(3,998)**	**(2,401)**	**(3,388)**
Other comprehensive income (loss), net of taxes from discontinued operations:				
Foreign currency translation adjustments	(50)	(3)	(50)	(1)
Pension amortization	3,062	515	4,187	(686)
Other comprehensive income (loss) from discontinuing operations	**3,012**	**512**	**4,137**	**(687)**
Other comprehensive income (loss) from continuing and discontinuing operations	**611**	**(3,486)**	**1,736**	**(4,075)**
Other comprehensive income (loss), net of taxes from continuing operations				
Attributable to noncontrolling interest	-	-	-	-
Attributable to Startek shareholders	(2,401)	(3,998)	(2,401)	(3,388)
	(2,401)	**(3,998)**	**(2,401)**	**(3,388)**
Other comprehensive income (loss), net of taxes from discontinued operations				
Attributable to noncontrolling interests	-	281	614	(374)
Attributable to Startek shareholders	3,012	231	3,523	(313)
	3,012	**512**	**4,137**	**(687)**
Comprehensive income (loss) from continuing and discontinuing operations				
Attributable to noncontrolling interests	-	1,042	3,203	1,916
Attributable to Startek shareholders	7,146	(1,899)	6,987	(3,077)
	7,146	**(857)**	**10,190**	**(1,161)**

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In thousands, except share data)
(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	34,908	22,457
Restricted cash	4,151	49,946
Trade accounts receivables, net	38,243	47,138
Unbilled revenue	30,801	24,207
Prepaid expenses and other current assets	15,819	9,159
Assets classified as held for sale	8,416	202,831
Total current assets	**132,338**	**355,738**
Non-current assets		
Property, plant and equipment, net	28,200	22,945
Operating lease right-of-use assets	37,591	36,450
Intangible assets, net	74,602	79,745
Goodwill	120,505	120,505
Deferred tax assets, net	2,724	2,771
Prepaid expenses and other non-current assets	8,826	7,889
Total non-current assets	**272,448**	**270,305**
Total assets	**404,786**	**626,043**
Liabilities and Stockholders' Equity		
Current liabilities		
Trade accounts payables	7,852	2,428
Accrued expenses	31,413	29,707
Short term debt	11,089	14,267
Current maturity of long term debt	6,564	120,466
Current maturity of operating lease liabilities	14,951	14,492
Other current liabilities	24,260	17,615
Liabilities classified as held for sale	7,341	89,486
Total current liabilities	**103,470**	**288,461**
Non-current liabilities		
Long term debt	60,848	41,175
Operating lease liabilities	26,464	26,651
Other non-current liabilities	3,292	2,682
Deferred tax liabilities, net	15,412	15,508
Total non-current liabilities	**106,016**	**86,016**
Total liabilities	**209,486**	**374,477**
Stockholders' equity		
Common stock, 60,000,000 non-convertible shares, $0.01 par value, authorized; 41,168,618 and 41,098,456 shares issued as of June 30, 2023 and December 31, 2022 respectively.	412	411
Additional paid-in capital	294,266	293,472
Accumulated deficit	(80,538)	(86,302)
Treasury stock, 891,193 and 839,214 shares as of June 30, 2023 and December 31, 2022 respectively, at cost	(3,904)	(3,749)
Accumulated other comprehensive loss	(14,936)	(16,058)
Equity attributable to Startek shareholders	**195,300**	**187,774**
Non-controlling interest	-	63,792
Total stockholders' equity	**195,300**	**251,566**
Total liabilities and stockholders' equity	**404,786**	**626,043**

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating activities		
Income from continuing and discontinued operations	8,454	2,914
less: Income (loss) from discontinued operations, net of tax	9,043	1,234
Income (loss) from continuing operations, net of tax	**(589)**	**1,680**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,535	11,043
Profit on sale of property, plant and equipment	(12)	(80)
Provision/(reversal) for doubtful accounts	(412)	(125)
Amortization of debt issuance costs (including loss on extinguishment of debt)	80	286
Amortization of call option premium	-	720
Mark to market gain on derivative instrument	(356)	-
Share-based compensation expense	769	833
Deferred income taxes	33	(612)
Share of income of equity accounted investee	-	(3,825)
Changes in operating assets and liabilities:		
Trade accounts receivables (including unbilled revenue)	1,024	6,127
Prepaid expenses and other assets	(5,597)	(5,522)
Trade accounts payable	5,491	1,473
Income taxes, net	(2,689)	576
Accrued expenses and other liabilities	9	(3,202)
Net cash generated from by operating activities from continuing operations	**8,286**	**9,372**
Net cash generated from/used in operating activities from discontinued operations	**(7,795)**	**278**
Net cash generated from operating activities	**491**	**9,650**
Investing activities		
Purchase of property, plant and equipment and intangible assets, net	(7,630)	(5,303)
Proceeds from sale of discontinued operations, net of cash disposed	34,890	-
Net cash generated from/used in investing activities from continuing operations	**27,260**	**(5,303)**
Net cash generated from/used in investing activities from discontinued operations	**(3,570)**	**(1,832)**
Net cash generated from/used in investing activities	**23,690**	**(7,135)**
Financing activities		
Proceeds from the issuance of common stock	25	246
Payments of long term debt	(93,466)	-
(Payment)/ Proceed from a line of credit, net	(3,218)	1,423
Payments of other borrowings, net	(842)	(1,077)
Common stock repurchases	(155)	(1,334)
Net cash generated from/used in financing activities from continuing operations	**(97,656)**	**(742)**
Net cash generated from/used in financing activities from discontinued operations	**(303)**	**108**
Net cash generated from/used in financing activities	**(97,959)**	**(634)**
Net increase in cash and cash equivalents	**(73,778)**	**1,881**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,151)	(1,486)
Cash and cash equivalents and restricted cash at beginning of period	115,146	55,396
Cash and cash equivalents and restricted cash at end of period	**40,217**	**55,791**
Less: Cash and cash equivalents from discontinued operations	(1,158)	(22,475)
Cash and cash equivalents and restricted cash of continuing operations at end of period	**39,059**	**33,315**
Components of cash and cash equivalents and restricted cash		
Balances with banks	34,908	30,292
Restricted cash	4,151	3,023
Total cash and cash equivalents and restricted cash	**39,059**	**33,315**
Supplemental disclosure of cash flow information		
Cash paid for interest and other finance cost	6,225	4,368
Cash paid for income taxes	(3,661)	2,168
Supplemental disclosure of non-cash activities		
Non-cash share-based compensation expenses	769	833

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common stock		Treasury Stock				Other items of OCI					
	Shares	Amount	Shares	Amount	Additional paid in capital	Accumulated earnings (deficit)	Foreign currency translation	Change in fair value of derivative instruments	Unrecognised pension cost	Total	Non controlling interest	Total equity
Three months ended												
Balance at March 31, 2023	**41,133,224**	**411**	**839,214**	**(3,749)**	**293,869**	**(87,073)**	**(11,905)**	**-**	**(3,642)**	**187,911**	**66,995**	**254,906**
Issuance of common stock	35,394	1	-	-	8	-	-	-	-	9	-	9
Share-based compensation expenses	-	-	-	-	389	-	-	-	-	389	-	389
Income (loss) from continuing operations	-	-	-	-	-	(31)	-	-	-	(31)	-	(31)
Income (loss) from discontinued operations	-	-	-	-	-	6,566	-	-	-	6,566	-	6,566
Other comprehensive income (loss) from continuing operations	-	-	-	-	-	-	(2,401)	-	-	(2,401)	-	(2,401)
Other comprehensive income (loss) from discontinued operations	-	-	-	-	-	-	(50)	-	3,062	3,012	-	3,012
Repurchase of common stock	-	-	51,979	(155)	-	-	-	-	-	(155)	-	(155)
Redemption of NCI on disposal of CCC	-	-	-	-	-	-	-	-	-	-	(66,995)	(66,995)
Balance at June 30, 2023	**41,168,618**	**412**	**891,193**	**(3,904)**	**294,266**	**(80,538)**	**(14,356)**	**-**	**(580)**	**195,300**	**-**	**195,300**
Balance at March 31, 2022	**40,953,221**	**410**	**672,176**	**(3,183)**	**292,104**	**(85,286)**	**(6,268)**	**-**	**(4,353)**	**193,424**	**58,890**	**252,314**
Issuance of common stock	43,345	-	-	-	106	-	-	-	-	106	-	106
Share-based compensation expenses	-	-	-	-	405	-	-	-	-	405	-	405
Net income (loss) from continuing operations	-	-	-	-	-	2,447	-	-	-	2,447	-	2,447
Income (loss) from discontinued operations	-	-	-	-	-	(580)	-	-	-	(580)	761	181
Other comprehensive income (loss) from Continuing operations	-	-	-	-	-	-	(3,934)	-	(64)	(3,998)	-	(3,998)
Other comprehensive income (loss) from discontinued operations	-	-	-	-	-	-	(3)	-	234	231	281	512
Repurchase of common stock	-	-	20,000	(63)	-	-	-	-	-	(63)	-	(63)
Balance at June 30, 2022	**40,996,566**	**410**	**692,176**	**(3,246)**	**292,615**	**(83,419)**	**(10,205)**	**-**	**(4,183)**	**191,972**	**59,932**	**251,904**
Six months ended												
Balance at December 31, 2022	**41,098,456**	**411**	**839,214**	**(3,749)**	**293,472**	**(86,302)**	**(11,781)**	**-**	**(4,277)**	**187,774**	**63,792**	**251,566**
Transition period adjustment pursuant to ASC 326, net of tax	-	-	-	-	-	(101)	-	-	-	(101)	-	(101)
Issuance of common stock	70,162	1	-	-	25	-	-	-	-	26	-	26
Share-based compensation expenses	-	-	-	-	769	-	-	-	-	769	-	769
Income (loss) from continuing operations	-	-	-	-	-	(589)	-	-	-	(589)	-	(589)
Income (loss) from discontinued operations	-	-	-	-	-	6,454	-	-	-	6,454	2,589	9,043
Other comprehensive income (loss) from continuing operations	-	-	-	-	-	-	(2,525)	-	124	(2,401)	-	(2,401)
Other comprehensive income (loss) from discontinued operations	-	-	-	-	-	-	(50)	-	3,573	3,523	614	4,137
Repurchase of common stock	-	-	51,979	(155)	-	-	-	-	-	(155)	-	(155)
Redemption of NCI on disposal of CCC	-	-	-	-	-	-	-	-	-	-	(66,995)	(66,995)
Balance at June 30, 2023	**41,168,618**	**412**	**891,193**	**(3,904)**	**294,266**	**(80,538)**	**(14,356)**	**-**	**(580)**	**195,300**	**-**	**195,300**
Balance at December 31, 2021	**40,893,396**	**409**	**412,769**	**(1,912)**	**291,537**	**(84,043)**	**(6,816)**	**-**	**(3,871)**	**195,304**	**58,016**	**253,320**
Issuance of common stock	103,170	1	-	-	245	-	-	-	-	246	-	246
Share-based compensation expenses	-	-	-	-	833	-	-	-	-	833	-	833
Net income (loss) from continuing operations	-	-	-	-	-	1,680	-	-	-	1,680	-	1,680
Income (loss) from discontinued operations	-	-	-	-	-	(1,056)	-	-	-	(1,056)	2,290	1,234
Other comprehensive income (loss) from Continuing operations	-	-	-	-	-	-	(3,388)	-	-	(3,388)	-	(3,388)
Other comprehensive income (loss) from discontinued operations	-	-	-	-	-	-	(1)	-	(312)	(313)	(374)	(687)
Repurchase of common stock	-	-	279,407	(1,334)	-	-	-	-	-	(1,334)	-	(1,334)
Balance at June 30, 2022	**40,996,566**	**410**	**692,176**	**(3,246)**	**292,615**	**(83,419)**	**(10,205)**	**-**	**(4,183)**	**191,972**	**59,932**	**251,904**

As of June 30, 2023 and June 30, 2022, there were 40,277,425 and 40,304,390 shares outstanding respectively of Common Stock, net off treasury stock.

STARTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(In thousands, except share and per share data)
(Unaudited)

1. OVERVIEW AND BASIS OF PREPARATION

Unless otherwise noted in this report, any description of "us," "we," or "our," refers to Startek, Inc. and its subsidiaries (the "Company"). Financial information in this report is presented in U.S. dollars.

Business

Startek is a leading global provider of technology-enabled business process management solutions. The Company provides omni-channel customer experience, digital transformation, and technology services to some of the finest brands globally. Startek is committed to impacting clients' business outcomes by focusing on enhancing customer experience and digital enablement across all touchpoints and channels. Startek has more than 32,000 employees globally, spread across in 11 countries. The Company services over 145 clientsacross various industries such as Banking and Financial Services, Insurance, Technology, Telecom, Healthcare, Travel and Hospitality, Consumer Goods, Retail, Media & Cable, E-commerce and Energy and Utilities.

The Company offers a repository of digital and omnichannel solutions based on decades of experience in driving growth by putting the customer at the center of our business. Because no one solution fits all, we have crafted solution delivery to suit a variety of industries. Startek has delivery campuses across India, United States, Malaysia, Philippines, Australia, South Africa, Canada, Honduras, Jamaica, Peru and Sri Lanka.

During the previous year, the Company had classified Middle East and Argentina operations as 'Held for Sale and Discontinued Operations' and accordingly discussion in the business section pertains to continuing operations of the Company.

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements.

These consolidated financial statements reflect all adjustments (consisting only of normal recurring entries, except as noted) which, in the opinion of management, are necessary for fair presentation. The results of operations for interim periods are not necessarily indicative of full-year results.

The consolidated financial statements reflects the financial results of all subsidiaries that are more than 50% owned and over which the Company exerts control. When the Company does not have majority ownership in an entity but exerts significant influence over that entity, the Company accounts for the entity under the equity method of accounting. All intercompany balances are eliminated on consolidation. Where our ownership of a subsidiary was less than 100%, the non-controlling interest is reported in our consolidated balance sheet. The non-controlling interest in our consolidated net income is reported as "Net income attributable to non-controlling interests" in our consolidated statement of income (loss).

As of December 31, 2022, the consolidated balance sheet included herein was derived from the audited financial statements as of that date but does not include all disclosures including notes required by U.S. GAAP. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2022.

The figures for the corresponding previous year have been regrouped/reclassified wherever necessary, to make them comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, intangibles, impairment of goodwill, valuation allowances for deferred tax assets, leases, provision for doubtful debts and restructuring costs. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable and management has made assumption about the possible effect of the global macroeconomic conditions, including heightened inflation, changes to fiscal and monetary policy, higher interest rates, currency fluctuations, labor shortages & challenges in supply chain, have the potential to negatively impact the Company. There current macroeconomic conditions may continue or aggravate and could cause the United States economy or other global economies to experience an economic slowdown or recession. We anticipate our business and operations could be materially adversely affected by a prolonged recession in the United States or other major global economy. Although these estimates and assumptions are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

Revenue

The Company utilizes a five-step process given in ASC 606, for revenue recognition that focuses on the transfer of control, rather than the transfer of risks and rewards. It also provided additional guidance on accounting for contract acquisition and fulfillment costs. Refer to Note 5 on "Revenue" for further information.

Allowance for Expected Credit Losses

The Company maintains an allowance for current expected credit losses inherent in its accounts receivable portfolio. In establishing the required allowance, the Company considers past payment and recovery trends, and other related information for its customers to estimate the probability of default in the future. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Refer to Note 5 on "Revenue" for further information.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, current maturity of operating lease liabilities, and operating lease liabilities in our consolidated balance sheet. Finance leases are included in property plant and equipment, long-term debt, accrued expenses and other current liabilities in our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the balance lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the date of initial application on determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain to exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

ASC 842 requires an entity to apply the guidance on impairment of long-lived assets in ASC 360 to right-of-use assets. Therefore, right-of-use assets must be monitored for impairment, like other long-lived non-financial assets, regardless of whether the lease is an operating lease or a finance lease. When impairment indicators exist, an asset (asset group) should be tested to determine whether there is an impairment.

We have lease agreements with lease and non-lease components, which are generally accounted for separately.

Property, Plant and Equipment

Property, plant, and equipment, are stated at depreciated cost. Additions and improvement activities are capitalized. Maintenance and repairs are expensed as incurred. Assets held under finance leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation and amortization is computed using the straight-line method based on their estimated useful lives, as follows:

	Estimated Useful Life
Buildings and building improvements	3-20 years
Telephone and computer equipment	3-10 years
Furniture, fixtures, and miscellaneous equipment	3-15 years
Software	1-6 years

We depreciate leasehold improvements associated with operating leases over the shorter of 15 years or remaining life of the lease. Amortization expense related to assets recorded under capital leases is included in depreciation and amortization expense.

Impairment of Long-Lived Assets

The Company evaluates potential impairments of long-lived assets when it determines that the carrying value of a long-lived asset *may not* be recoverable based upon the existence of *one* or more indicators of impairment (for examples, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition, a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group, a significant decrease in the market price of a long-lived asset or asset group, a current expectation that, more likely than *not*, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life), we evaluate the projected undiscounted cash flows related to the assets. If these cash flows are less than the carrying values of the assets, we measure the impairment based on the excess of the carrying value of the long-lived asset over the long-lived asset's fair value. Our projections contain assumptions pertaining to anticipated levels of utilization and revenue that *may* or *may not* be under contract but are based on our experience and/or projections received from our customers.

Goodwill and Intangible Assets

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is *not* amortized but is tested for impairment at least on an annual basis on December 31, based on a number of factors, including operating results, business plans and future cash flows. The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than *not* that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of events or circumstances, the Company performs a quantitative assessment of goodwill impairment if it determines that it is more likely than *not* that the fair value of a reporting unit is less than its carrying amount. If, based on the quantitative impairment analysis, the carrying value of a reporting unit exceeds the fair value of the reporting unit, an impairment loss is recognized in an amount equal to the excess. In addition, the Company performs a quantitative assessment of goodwill impairment between annual tests if an event occurs or circumstances change that would more likely than *not* reduce the fair value of a reporting unit below its carrying amount. Refer to Note *4*, "Goodwill and Intangible Assets" and Note *7*, "Impairment Losses and Restructuring/Exit cost" for information and related disclosures.

Intangible Assets

We amortize all acquisition-related intangible assets that are subject to amortization using the straight-line method over the estimated useful life based on economic benefit as follows:

	Estimated Useful Life
Customer Relationship	8 - 13.5 years
Brand	13.5 years
Trademarks	15 years
Developed Technology	5 years

We perform a review of intangible assets to determine if facts and circumstances indicate that the useful life is shorter than we had originally estimated or that the carrying amount of assets *may not* be recoverable. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, we accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. Intangible assets acquired in a business combination were recorded at fair value at acquisition date using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment if indicators of impairment arise. Refer to Note *4*, "Goodwill and Intangible Assets" for information and related disclosures.

Fair Value Measurements

The carrying value of our cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and restructuring liabilities approximate fair value because of their short-term nature. Our debt has a variable interest rate, so the carrying amount approximates fair value because interest rates on these instruments approximate the interest rate on debt with similar terms available to us.

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Unobservable inputs that cannot be supported by market activity and that are significant to the fair value of the asset or liability, such as the use of certain pricing models, discounted cash flow models and similar techniques that use significant assumptions. These unobservable inputs reflect our own estimates of assumptions that market participants would use in pricing the asset or liability.

Refer to Note 9, “Fair Value Measurements,” for additional information on how we determine fair value for our assets and liabilities.

Cash and cash equivalents and restricted cash

We consider cash equivalents to be short-term, highly liquid investments readily convertible to known amounts of cash and so near their maturity at purchase that they present insignificant risk of changes in value because of changes in interest rates. Restricted cash consists of margin money deposit that is contractually restricted as to usage or withdrawal.

Borrowing costs

Borrowing costs include interest as well as ancillary costs such as amortization of financing fees or charges and premium or discount on the borrowings. Borrowing costs (loan processing fee) are capitalized and amortized in the consolidated statement of income using effective interest method. Refer to to Note *10,* "Debt" for further information and disclosures.

Interest and dividend income

Interest revenue is recognized on an accrual basis taking into account the interest rates applicable to the financial assets.

Dividend income is recognized when the Company's right to receive such income is established by the reporting date.

Government grants and subsidies

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is netted against the asset purchased. Government grant in the nature of export incentive is recognized as revenue.

Restructuring Charges

On an ongoing basis, management assesses the profitability and utilization of our facilities and in some cases, management has chosen to close facilities. Severance payments that occur from reductions in the workforce are in accordance with our post-employment policy and/or statutory requirements that are communicated to all employees; therefore, severance liabilities are recognized when termination of employment is communicated to the employee(s). Other liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, instead of upon commitment to an exit plan. A significant assumption used in determining the amount of the estimated liability for closing a facility is the estimated liability for future lease payments on vacant facilities. We determine our estimate of sublease payments based on our ability to successfully negotiate early termination agreements with landlords, a third-party broker, or management's assessment of our ability to sublease the facility based upon the market conditions in which the facility is located. If the assumptions regarding early termination and the timing and amounts of sublease payments prove to be inaccurate, we may be required to record additional losses, or conversely, a future gain. Refer to Note 7, "Impairment Losses and Restructuring/Exit cost" for additional information.

Derivative Instruments and Hedging Activities

In the ordinary course of business, the Company uses certain derivative financial instruments to reduce business risks which arise from its exposure to foreign exchange and interest rate fluctuations associated with borrowings (cash flow hedges). When the Company opts to undertake hedge accounting, the Company documents, at the inception of the hedging transaction, the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows or fair values of hedged items. The Company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, is recognised through OCI and as cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Income (loss). Amounts accumulated in equity are reclassified to the Statement of Income (loss).

Derivatives that are not designated as hedges

When derivative contracts to hedge risks are *not* designated as hedges, the gains or losses on subsequent measurement of such contracts are recognised through Consolidated Statement of Income (loss).

Presentation

The entire fair value of a derivative contract is classified as a noncurrent asset or liability when the remaining maturity of the contract exceeds *12* months; it is classified as a current asset or liability when the remaining maturity of the contract does *not* exceed *12* months. Refer to Note *8* "Derivative Instruments" to the financial statements for more details.

Foreign Currency Matters

The Company has operations in Argentina (classified as discontinued operations) and its functional currency has historically been the Argentine Peso. The Company monitors inflation rates in countries where it operates as required by U.S. GAAP. Under ASC 830-10-45-12, an economy must be classified as highly inflationary when the cumulative three-year rate exceeds 100%. Considering the inflation data of Argentina, the Company has considered Argentina to be highly inflationary beginning on July 1, 2018. In accordance with ASC 830, the functional currency of the Argentina business has been changed to USD, which requires re-measurement of the local books to USD. Exchange gains and losses are recorded through net income instead of through other comprehensive income as had been done historically. Translation adjustments from periods prior to the change in functional currency were not removed from equity.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect net effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. We are subject to foreign income taxes on our foreign operations. We are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure, together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. The tax effects of these temporary differences are recorded as deferred tax assets or deferred tax liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statement of income (loss) in the period during which such rates are enacted. We record a valuation allowance when it is more likely than *not* that we will *not* realize the net deferred tax assets in a certain jurisdiction.

We consider all available evidence to determine whether it is "more likely than *not"* that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods) and projected taxable income in assessing the validity of deferred tax assets. In making such judgments, significant weight is given to evidence that can be objectively verified. In order to fully realize the U.S. deferred tax assets, we will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code.

We do *not* provide for deferred taxes on the excess of the financial reporting basis over the tax basis in our investments in foreign subsidiaries that are essentially permanent in duration or *not* subject to taxation in the US or in the local country. Within consolidated retained earnings are undistributed after-tax earnings from certain non-U.S. subsidiaries that are *not* indefinitely reinvested. Generally, the earnings of our foreign subsidiaries become subject to taxation based on certain provisions in U.S. or local tax law under certain circumstances.

Employee benefits

Contributions to defined contribution plans are charged to consolidated statements of operations in the period in which services are rendered by the covered employees. Current service costs for defined benefit plans are accrued in the period to which they relate. The liability in respect of defined benefit plans is calculated annually by the Company using the projected unit credit method. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees. The Company recognizes its liabilities for compensated absences dependent on whether the obligation is attributable to employee services already rendered, relates to rights that vest or accumulate and payment is probable and estimable.

The Company records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and turnover rates. The Company reviews its assumptions on quarterly basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

Stock-Based Compensation

We recognize expenses related to all share-based payments to employees, including grants of employee stock options, based on the grant-date fair values amortized straight-line over the period during which the employees are required to provide services in exchange for the equity instruments. We include an estimate of forfeitures when calculating compensation expenses. We use the Black-Scholes method for valuing stock-based awards. Refer to Note 12, “Share-Based Compensation” for further information.

Net Income (Loss) Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. For the purposes of calculating diluted earnings per share, the treasury stock method is used for stock-based awards except where the results would be anti-dilutive. When a net loss is reported, potentially issuable common shares are generally excluded from the computation of diluted earnings per share as their effect would be anti-dilutive. Refer to Note *6,* "Net Income/ (Loss) Per Share" for additional information.

Assets Held for Sale and Discontinued Operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the business is sold and classified as held for sale, in accordance with the criteria of Accounting Standard Codification ("ASC") Topic 205-20 "Presentation of Financial Statements - Discontinued Operations" and ASC Topic 360-10 "Impairment and Disposal of Long Lived Assets". The results of discontinued operations are reported in Income from Discontinued Operations, net of tax in the accompanying Consolidated Statement of Income for the current and prior period and include any gain or loss recognized on closing, or adjustment of the carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior-period balance sheet. All assets and liabilities of the operations classified as held for sale are disclosed as current assets and liabilities in the current year and previous year classification has been retained. The Company allocate interest cost on Debt that is required to be repaid as a result of disposal to discontinued operations. Interest cost on Corporate Debt not directly attributable to discontinued operations is allocated between continuing and discontinued operations in the ratio mentioned in ASC 205-20-45-7 which as follows:

Net assets to be sold or discontinued less debt that is required to be paid as a result of the disposal. The sum of total net assets of the entity plus debt other than: 1) debt of the discontinued operations that will be assumed by the buyer; 2) debt that is required to be paid as a result of the disposal transaction; and 3) debt that can be directly attributable to other operations of the entity.

If a business is classified as held for sale after the balance sheet but before the financial statements are issued or are available to be issued, the business continues to be classified as held and used in those financial statements when issued or when available to be issued.

Refer to “Note 3A & 3B – "Discontinued Operations and Held for Sale" in our consolidated financial statements included elsewhere in this report for additional information and disclosures.

Changes in Accounting Policies

Except as described below, the Company has applied accounting policies consistently to all periods presented in these consolidated financial statements. The Company adopted ASC Topic 326, Financial Instruments—Credit Losses (“Topic326”), effective January 1, 2023. As a result of the Company’s adoption of this new standard, current expected credit losses(“CECL”) are measured using lifetime “expected credit loss” methodology, replacing the incurred loss model that recognized losses only when they became probable and estimable. The Company changed its accounting policy for recognition and measurement of CECL as detailed below. Topic 326 is applicable to financial assets measured at amortized cost. It requires historical loss data to be adjusted to reflect changes in asset-specific considerations, current conditions and reasonable and supportable forecasts of future economic conditions. To analyse credit losses on financial assets, the Company applied aging Schedule method to determine expected credit losses. The Company applied Topic 326 using the modified retrospective transition approach, which involves recognizing the cumulative effect of initial adoption of Topic 326 as an adjustment to its opening retained earnings as of January 1, 2023.Therefore, comparative information prior to the adoption date has not been adjusted.

Recent Accounting Pronouncements

In *March 2020,* FASB issued ASU *No. 2020-04,* Reference Rate Reform (Topic *848*): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as interbank offered rates and London Inter-Bank Offered Rate (“LIBOR”). The ASU provides practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are elective and are effective upon issuance for all entities through *December 31, 2022.* In *December 2022,* FASB issued ASU *No. 2022-06,* Reference Rate Reform (Topic *848*): Deferral of the Sunset Date of Topic *848,* to defer the sunset date of Topic *848* until *December 31, 2024.* The Company is still in the process of assessing the impact of this ASU *2020-04.*

3A. Discontinued Operations and Held for Sale - Contact Center Company

On November 10, 2022, the Company accepted a final offer by Arabian Internet and Communications Services Company (Solutions) to acquire Startek’s indirect 51% ownership interest in its subsidiary Contact Center Company (CCC), which was the Company’s joint venture that operated in the Kingdom of Saudi Arabia. After consideration of the relevant facts, the Company concluded the assets and liabilities of its CCC component met the criteria for classification as held for sale. The Company concluded that the actual and proposed disposal activities represented a strategic shift that will have a major effect on the Company’s operations and financial results and qualified for presentation as discontinued operations in accordance with FASB Accounting Standards Codification (ASC) 205-20. Accordingly, the financial results of the CCC are presented in the Consolidated Statements of Operations as discontinued operations for all periods presented. Current and non-current assets and liabilities of the business not sold as of the balance sheet date are presented in the Consolidated Balance Sheet as current assets and liabilities held for sale for both periods presented. Interest expense on term loans allocated to discontinued operations represents interest expenses on term loans which were required to be settled upon the sale of the CCC. CCC formed part of the 'Middle East' segment in the consolidated financial statements for the period ended June 30, 2022.

Subsequently, on January 11, 2023, the Company entered into a definitive Sale and Purchase Agreement with Solutions. The Sale and Purchase Agreement provided for a transaction based on an enterprise value for CCC of $120 million (SAR 450 million), on a debt free and cash free basis, to be paid in cash at closing, subject to the adjustments set forth in the Sale and Purchase Agreement. The transaction has been approved by the General Authority for Competition (GAC) in the Kingdom of Saudi Arabia and the Company has also obtained consent from its lenders.

On April 3, 2023, the Company completed its sale of ownership interest in “CCC” to “Solutions”. At closing, the final consideration paid was $69.8 million. Under the Sale and Purchase Agreement, the Company will act as a guarantor for the obligations of its indirect subsidiary that owned the Company’s interests in CCC.

Assets and Liabilities classified as Held for sale as on December 31, 2022 includes Assets of $195,184 and Liabilities of $82,259. For detailed list of assets and liabilities, refer Form 10K filed for December 31, 2022.

The following table summarizes the income statement information of discontinued operations for the period ended June 30, 2023 and June 30, 2022:

Statement of income (loss)	**Six Months Ended June 30,**	
	2023#	**2022**
Revenue	**64,364**	**121,741**
Cost of services	(54,889)	(109,871)
Gross profit	**9,475**	**11,870**
Selling, general and administrative expenses	(3,117)	(5,436)
Impairment losses and restructuring/exit cost	(4)	(30)
Operating income	**6,354**	**6,404**
Interest expense and other income (expense), net*	(1,174)	(1,308)
Foreign exchange gains (losses), net	(10)	(14)
Income before tax expenses	**5,170**	**5,082**
Tax expenses (A)	**(1,185)**	**(1,575)**
Net income	**3,985**	**3,507**

*Includes allocated interest.
#Includes results of operations of CCC till March 31, 2023.

The following table presents the gain associated with the sale, presented in the statement of Income as a part of discontinued operations;

	June 30, 2023
Gross purchase price, as adjusted per the terms of the Purchase Agreement	**69,800**
Less: Carrying value of net assets sold	(55,122)
Income/(Loss) on reclassification of items of AOCI to statement of income (loss) on disposal of component:	
Less: Unrecognised pension costs	(3,062)
Add: Foreign currency translation	50
Pre-tax gain on disposal	**11,666**
Tax expenses on gain on disposal net off deferred tax liability reversal of $ 3,056 (B)	(4,189)
Total tax expenses of CCC (A+B)	**(5,374)**
The Carrying value of net assets sold are as follows;	
a) Assets	
Cash and cash equivalents	28,284
Restricted cash	5,735
Trade accounts receivables, net	33,853
Unbilled revenue	46,434
Prepaid and other assets	8,377
Property, plant and equipment, net	4,449
Operating lease right-of-use assets	11,289
Goodwill	54,840
Deferred tax assets, net	5,028
b) Liabilities	
Trade accounts payables	(3,698)
Accrued expenses	(16,015)
Other current and non current liabilities	(45,965)
Operating lease liabilities	(10,494)
c) Non-controlling interest	(66,995)
Carrying value of net assets sold (a+b+c)	**55,122**

Net cash flows attributable to the discontinued operations:	June 30, 2023	June 30, 2022
Net cash generated from operating activities	(5,870)	3,220
Net cash used in investing activities	(3,513)	(1,849)
Net cash (used in) / provided by financing activities	-	-
Net Cash Inflow/(Outflow)	**(9,383)**	**1,371**

3B. Discontinued Operations and Held for Sale - Argentina

On December 14, 2022, the Company has entered into an engagement letter with M/S Estudio A & L LLC (‘the Firm’) pursuant to which the Firm would serve as a non-exclusive advisor in connection with the potential sale of Aegis Argentina. The Firm will perform services for the Company such as advice on the structure, negotiation strategy, valuation analyses, financial terms, and other financial matters etc. If required, the Firm will assist the Company in preparing a brief memorandum, for distribution to potential buyers, describing the Company and its business, operations, properties, financial condition, and prospects. The Firm to negotiate and execute on its behalf and/or the Company’s behalf confidentiality agreements with potential parties to a Transaction and to deliver confidential memoranda or other data furnished to the Firm by the Company for distribution to such parties. During the second quarter of 2023, the Company entered into discussions with potential buyers. The discussions are still ongoing and the Company expects to enter in diligence phase in near future.

After consideration of the relevant facts, the Company concluded the assets and liabilities of Argentina met the criteria for classification as held for sale. The Company concluded the actual and proposed disposal activities represented a strategic shift that will have a major effect on the Company’s operations and financial results and qualified for presentation as discontinued operations in accordance with FASB Accounting Standards Codification (ASC) 205-20. Accordingly, the financial results of the Argentina are presented in the Consolidated Statements of Operations as discontinued operations for all periods presented. Current and non-current assets and liabilities of the business not sold as of the balance sheet date are presented in the Consolidated Balance Sheet as current assets and liabilities held for sale for both periods presented. Argentina was forming part of the 'Argentina and Peru' segment in the consolidated financial statements for the period ended June 30, 2022.

The following table summarizes the income statement information of discontinued operations for the period ended June 30, 2023 and June 30, 2022:

Statement of income (loss)	Six Months Ended June 30,	
	2023	2022
Revenue	**12,964**	**15,978**
Cost of services	(12,858)	(16,245)
Gross profit (loss)	**106**	**(267)**
Selling, general and administrative expenses	(1,012)	(1,021)
Impairment losses and restructuring/exit cost	(3,166)	(2,049)
Operating income (loss)	**(4,072)**	**(3,337)**
Interest expense and other income (expense), net	2,009	1,276
Foreign exchange gains (losses), net	(356)	(212)
Income (loss)	**(2,419)**	**(2,273)**
Tax expense	-	-
Net (loss)	**(2,419)**	**(2,273)**

The following table summarizes the carrying values of the assets and liabilities classified as held for sale in our consolidated balance sheet as:

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	1,158	367
Trade accounts receivables, net	2,579	2,483
Unbilled revenue	1,270	1,320
Prepaid and other current assets	1,995	1,988
Total current assets	**7,002**	**6,158**
Non-current assets		
Property, plant and equipment, net	911	854
Operating lease right-of-use assets	490	620
Prepaid expenses and other non-current assets	13	15
Total non-current assets	**1,414**	**1,489**
Total assets classified as discontinued operations in the consolidated balance sheet	**8,416**	**7,647**
Liabilities		
Current liabilities		
Trade accounts payables	477	307
Accrued expenses	2,540	1,951
Short term debt	23	325
Current maturity of operating lease liabilities	397	398
Other current liabilities	2,834	2,674
Total current liabilities	**6,271**	**5,655**
Non-current liabilities		
Operating lease liabilities	99	226
Other non-current liabilities	971	1,346
Total non-current liabilities	**1,070**	**1,572**
Total liabilities classified as discontinued operations in the consolidated balance sheet	**7,341**	**7,227**

	June 30, 2023	June 30, 2022
Net cash used in operating activities	(1,925)	(2,942)
Net cash used in investing activities	(57)	17
Net cash generated from financing activities	(303)	108
Net Cash outflow	**(2,285)**	**(2,817)**

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The carrying value of goodwill is allocated to reporting units as follows:

Reporting Units:	**June 30, 2023**	**December 31, 2022**
Americas	60,128	60,128
India	12,554	12,554
Malaysia	43,678	43,678
Australia	4,145	4,145
Total	**120,505**	**120,505**

We perform a goodwill impairment analysis at least annually (in the fourth quarter of each year) unless indicators of impairment exist in interim periods. The assumptions used in the analysis are based on the Company's internal budget. The Company projects revenue, operating margins, and cash flows for a period of five years and applies a perpetual long-term growth rate using discounted cash flows (DCF) method. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. These estimates may differ from actual results.

As of June 30, 2023, based on the qualitative assessment, we concluded that there is no impairment of goodwill.

The following table presents the changes in goodwill during the six months ended June 30, 2023 and year ended December 31, 2022:

	June 30, 2023	**December 31, 2022**
Opening balance	120,505	128,557
Impairment	-	(8,052)
Closing balance	**120,505**	**120,505**

Intangible Assets

The following table presents our intangible assets:

	As of June 30, 2023			
	Gross Intangibles	**Accumulated Amortization**	**Net Intangibles**	**Weighted Average Amortization Period (years)**
Customer relationships	66,220	30,267	35,953	6.5
Brand	49,500	20,557	28,943	7.1
Trademarks	13,210	4,357	8,853	7.5
Other intangibles	2,130	1,277	853	4.9
	131,060	**56,458**	**74,602**	

	As of December 31, 2022			
	Gross Intangibles	**Accumulated Amortization**	**Net Intangibles**	**Weighted Average Amortization Period (years)**
Customer relationships	66,220	27,484	38,736	6.5
Brand	49,500	18,740	30,760	7.1
Trademarks	13,210	3,917	9,293	7.5
Other intangibles	2,130	1,174	956	4.9
	131,060	**51,315**	**79,745**	

As of June 30, 2023 based on the management assessment, we concluded that there is no impairment on the Company's intangible assets.

Expected future amortization of intangible assets as of June 30, 2023 is as follows:

	Amount
Remainder of 2023	5,199
2024	10,252
2025	10,252
2026	9,490
2027	8,549
Thereafter	30,860

5. REVENUE

The Company follows a five-step process in accordance with ASC 606, for revenue recognition that focuses on the transfer of control, rather than the transfer of risks and rewards.

Contracts with Customers

All of the Company's revenues are derived generally from written contracts with our customers. Our contracts document our customers' agreement to utilize our services and the relevant terms and conditions under which our services will be provided. Our contracts generally do not contain minimum purchase requirements nor do they include termination penalties. Our customers may generally cancel our contract, without cause, upon written notice (generally ninety days). While our contracts do have stated terms, because of the facts stated above, they are accounted for on a month-to-month basis.

Our contracts give us the right to bill for services rendered during the period, which for most of our customers is a calendar month, with a few customers specifying a fiscal month. Our payment terms vary by client and generally range from due upon receipt to 60-90 days.

Performance Obligations

We have identified one main performance obligation for which we invoice our customers, which is to stand ready to provide care services for our customers' clients. A stand-ready obligation is a promise that a customer will have access to services as and when the customer decides to use them. Ours is considered a stand-ready obligation because the delivery of the underlying service (that is, receiving customer contact and performing the associated care services) is outside of our control or the control of our customer.

Our stand-ready obligation involves outsourcing of the entire customer care life cycle, including:

- The identification, operation, management, and maintenance of facilities, IT equipment, and IT and telecommunications infrastructure
- Management of the entire human resources function, including recruiting, hiring, training, supervising, evaluating, coaching, retaining, compensating, providing employee benefits programs, and disciplinary activities

These activities are all considered an integral part of the production activities required in the service of standing ready to accept calls as and when they are directed to us by our clients.

Revenue Recognition Methods

Because our customers receive and consume the benefit of our services as they are performed and we have the contractual right to invoice for services performed to date, we have concluded that our performance obligation is satisfied over time. Accordingly, we recognize revenue for our services in the month they are performed.

We are entitled to invoice for our services on a monthly basis. We invoice according to the hourly and/or per-transaction rates stated in each contract for the various activities we perform. Some contracts include opportunities to earn bonuses or include parameters under which we will incur penalties related to performance in any given month. Bonus or penalty amounts are based on the current month's performance. Formulas are included in the contracts for the calculation of any bonus or penalty. There is no other performance in future periods that will impact the bonus or penalty calculation in the current period. We estimate the amount of the bonus or penalty using the "most likely amount" method and we apply this method consistently. The bonus or penalty calculated is generally approved by the client prior to billing (and revenue being recognized). The unbilled revenue, where the right to invoice has not accrued is recognized based on service delivery estimate.

Practical expedients and exemptions

Because the Company's contracts are essentially month-to-month, we have elected the following practical expedients:

- ASC 606-10-50-14 exempts companies from the disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less
- ASC 340-40-25-4 allows companies to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.
- ASC 606-10-32-2A allows an entity to make an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value-added, and some excise taxes)
- ASC 606-10-55-18 allows an entity that has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the entity may recognize revenue in the amount to which the entity has a right to invoice.

Disaggregated Revenue

Revenues by our clients' industry verticals for the three and six months ended June 30, 2023 and 2022 respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
Vertical	**2023**	**2022**	**2023**	**2022**
Telecom	23,387	24,646	47,372	48,989
E-commerce & Consumer	16,542	18,595	32,538	38,738
Financial & Business Services	11,928	13,085	25,307	26,221
Media & Cable	15,537	14,403	29,503	29,755
Travel & Hospitality	11,847	12,284	23,546	24,556
Healthcare & Education	4,842	6,497	11,487	15,131
Technology, IT & Related Services	2,839	3,304	6,110	6,924
Other verticals	4,275	3,333	7,423	6,925
Revenue	**91,197**	**96,147**	**183,286**	**197,239**

Allowance for expected credit losses

On January 1, 2023, the Company adopted ASC Topic 326, 'Financial Instruments-Credit Losses'. Accounts receivables, unbilled revenue and other financial assets are in the scope for which assessment is made. In calculating expected credit loss, the Company also considered past payment and recovery trends, and other related information for its customers to estimate the probability of default in the future.

As a result of adoption of ASC 326, the Company recognized an incremental allowance for credit losses on its accounts receivable and unbilled revenue, resulting in decrease in these assets by $135, increase in deferred tax assets by $34 and a corresponding decrease in retained earnings by $101 as on January 1, 2023.

Trade accounts receivables and Unbilled revenue

	As of June 30, 2023	**As of December 31, 2022**
Trade accounts receivables and Unbilled Revenue	71,799	74,377
Less: Allowance for expected credit loss	(2,755)	(3,032)
Trade accounts receivables and Unbilled Revenue	**69,044**	**71,345**

The movement in allowance for current expected credit loss on Trade accounts receivables and Unbilled revenue for the period ended June 30, 2023 is as follows:

	As of June 30, 2023
Balance at the beginning of the period	3,032
Transition period adjustment pursuant to ASC 326	135
Additions/(Reversal) during the period	(412)
Balance at the end of the period	**2,755**

6. NET INCOME / (LOSS) PER SHARE

Basic earnings per common share are computed based on our weighted average number of common shares outstanding. Diluted earnings per share are computed based on our weighted average number of common shares outstanding plus the effect of dilutive stock options, non-vested restricted stock, and deferred stock units, using the treasury stock method.

When a net loss is reported, potentially issuable common shares are excluded from the computation of diluted earnings per share as their effect would be anti-dilutive.

For three and six months ended June 30, 2023 and 2022, the following number of shares were used in the computation of basic and diluted earnings per share calculation (in thousands):

	Three months ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Shares used in basic earnings per share calculation	40,316	40,284	40,302	40,311
Effect of dilutive securities:				
Stock options	2	24	12	55
Total effects of dilutive securities	**2**	**24**	**12**	**55**
Shares used in dilutive earnings per share calculation	**40,318**	**40,308**	**40,314**	**40,366**

	Three months ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Anti-dilutive securities				
Stock options	-	-	-	-

7. IMPAIRMENT LOSSES & RESTRUCTURING/EXIT COST

Impairment Loss

As of June 30, 2023, based on the qualitative assessment, we concluded there is no impairment of goodwill.

Restructuring / Exit Cost

The table below summarizes the balance of accrued restructuring cost, voluntary/involuntary termination costs, and other exit-related costs, which are included in other accrued liabilities in our consolidated balance sheet. The changes during the six months ended June 30, 2023 and the year ended December 31, 2022.

	Employee related	**Facilities related**	**Total**
Balance on December 31, 2022	**39**	**-**	**39**
Accruals/(reversal)	317	-	317
Payments	(356)	-	(356)
Balance as of June 30, 2023	**-**	**-**	**-**

	Employee related	**Facilities related**	**Total**
Balance on December 31, 2021	**310**	**155**	**465**
Accruals/(reversal)	551	111	662
Payments	(822)	(266)	(1,088)
Balance on December 31, 2022	**39**	**-**	**39**

Employee related

The Company has terminated services of some of its employees working in Peru and U.S. as a part of restructuring activities and recognized a severance cost regarding those terminations.

8. DERIVATIVE INSTRUMENTS

Non-designated hedges

In October 2022, we entered into interest rate cap contracts as required by our lenders. The duration of these contracts is until May 2024.These hedges are not designated hedges under ASC 815, Derivatives and Hedging.

Unrealized gains and losses and changes in fair value of these derivatives are recognized as incurred in 'Interest expense and other income (expense), net' in Consolidated Statement of Income (loss). The following table presents these amounts for the three and six months ended June 30, 2023 and June 30, 2022.

Derivatives not designated under ASC 815	**Three months ended June 30, 2023**	**Three months ended June 30, 2022**	**Six Months Ended June 30, 2023**	**Six Months Ended June 30, 2022**
Mark to Market gain on Interest rate cap	269	-	356	-

9. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Unobservable inputs that cannot be supported by market activity and are significant to the fair value of the asset, liability, or equity such as the use of certain pricing models, discounted cash flow models, and similar techniques use significant assumptions. These unobservable inputs reflect our own estimates of assumptions that market participants would use in pricing the asset or liability:

Derivative Instruments

The values of our derivative instruments are derived from pricing models using inputs based upon market information, including contractual terms, market prices, and yield curves. The inputs to the valuation pricing models are observable in the market, and as such the derivatives are classified as Level 2 in the fair value hierarchy.

The following tables set forth our assets and/or liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. These balances are included in 'Prepaid and Other current assets' and/or 'Other current liabilities', respectively, on our balance sheet.

	As of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Interest rate cap	-	243	-	243
Total fair value of assets measured on a recurring basis	**-**	**243**	**-**	**243**
Liabilities:				
Interest rate cap	-	-	-	-
Total fair value of liabilities measured on a recurring basis	-	-	-	-

	As of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Interest rate cap	-	-	-	-
Total fair value of assets measured on a recurring basis	-	-	-	-
Liabilities:				
Interest rate cap	-	(113)	-	(113)
Total fair value of liabilities measured on a recurring basis	**-**	**(113)**	**-**	**(113)**

10. DEBT

The below table presents details of the Company's debt:

	As of June 30, 2023	As of December 31, 2022
Short term debt		
Working capital facilities	11,089	14,267
Current portion of long term debt		
Current maturity of term loan	6,134	119,194
Current maturity of equipment loan	430	1,272
Total	**17,653**	**134,733**
Long term debt		
Term loan, net of debt issuance costs	60,848	41,175
Total	**60,848**	**41,175**

Term Loan and working capital facilities

The Company has a number of working capital facilities in various countries in which it operates. These facilities provide for a combined borrowing capacity of approximately $28 million for a number of working capital products. These facilities bear interest at benchmark rate plus margins between 0.9% and 4.5% and are due on demand. These facilities are collateralized by various company assets and have a total outstanding balance of $11.1 million as of June 30, 2023.

Under the Senior debt arrangement, the Company has secured term loan of $165 million. Under the arrangement, the term loan will bear a tiered interest rate and will range between LIBOR plus 375 to 450 basis points, subject to certain financial ratios. The Company is required to meet these financial ratios on a quarterly basis. As of June 30, 2023, the Company was in compliance with all financial covenants. The Adjusted Leverage (total net debt / adjusted EBITDA) in respect of the most recently completed relevant period was less than 2.25, hence the applicable margin was set at 375 basis points.

The Company has completed the interest rate transition for its currently outstanding Senior debt arrangement as required to be done with effect from July 1, 2023. Pursuant to the Facilities Agreement amended and restated on 9 November 2022, the LIBOR shall be applicable for interest period until August 31, 2023, i.e., the last day of the current interest period. The SOFR plus spread adjustment shall be applicable for interest period commencing on or after September 01, 2023. The Company does not expect the change to have any material impact on the interest cost.

On April 3, 2023, an indirect subsidiary of the Company completed its previously announced sale of the Company’s indirect 51 percent ownership interest in CCC to Solutions. In accordance with the requirements of the facilities agreement, the Company was required to apply the proceeds received from the CCC disposal towards prepayment of the Company’s senior term loan facility.

On July 12, 2023, the final consideration was agreed at $69.8 million, of which $68.9 million were received in April 2023 and balance $0.9 million were received in July 2023.

The Company had filed a consent request with the lenders under its facilities agreement relating to the application of $55 million of the proceeds arising out of the Company's disposal of its ownership interest in CCC, which was accepted by the lenders on April 19, 2023. As per the accepted consent request, the proceeds received pursuant to the disposal of CCC will be utilised in the following order of priority: (i) firstly, prepayment of the outstanding Revolving Facility Loans of an amount of $7 million (together with accrued and unpaid interest then outstanding on the Revolving Facility Loans), (ii) secondly, (in relation to the Term Loans) prepayment in full of the four (4) Repayment Instalments which would otherwise fall due on May 22, 2023, August 22, 2023, November 22, 2023 and February 22, 2024 (together with accrued and unpaid interest then outstanding on the Term Loans), and (iii) lastly, (in relation to the Term Loans) the balance proceeds from the CCC disposal to be applied against the remaining eight (8) repayment instalments on a pro rata basis.

In April 2023, the Company has applied $55 million of the proceeds in making a prepayment of $48 million against the senior debt and $7 million against the revolving credit facilities.

Accordingly, senior term loan principal repayment schedule has been revised as below:

	Amount
Remainder of 2023	-
2024	18,403
2025	42,940
2026	6,067
Total	**67,410**

Debt issuance cost represents the amount paid to the Company’s counsel and other third parties and was being amortized over the period of the new term loan.

Following table presents the changes in debt issuance cost during the six months ended June 30, 2023 and the year ended December 31, 2022:

	June 30, 2023	December 31, 2022
Opening balance	**507**	**2,332**
Less: Amortization of debt issuance cost*	(80)	(1,825)
Closing balance	**427**	**507**

*includes one time amortisation of $1,260 during period ended December 31, 2022.

Equipment Loan

On November 2, 2020, the Company executed Master Equipment Finance Agreement to finance purchase of equipment for $4 million at the interest of 5.27% per annum with a maturity date 34 months after the date of first utilization of equipment loan. The amounts outstanding as at June 30, 2023 is $0.4 million.

Non-recourse factoring

We have entered into factoring agreements with financial institutions to sell certain of our accounts receivable under non-recourse agreements. Under the arrangement, the Company sells the trade receivables on a non-recourse basis and accounts for the transactions as sales of receivables. The applicable receivables are removed from the Company's consolidated balance sheet when the Company receives the cash proceeds. We do not service any factored accounts after the factoring has occurred. We utilize factoring arrangements as part of our financing for working capital. The balance of funds received from factored receivables under these agreements was 16.3 million and 18.09 million as of June 30, 2023 and December 31, 2022 respectively.

11. OTHER CURRENT LIABILITIES

	June 30, 2023	December 31, 2022
Provision for leave encashment	5,122	6,258
Payables to government authorities	5,649	5,923
Current tax liabilities, net	8,465	2,651
Other liabilities	5,024	2,783
	24,260	**17,615**

12. SHARE-BASED COMPENSATION

Share-based compensation

Our share-based compensation arrangements include grants of stock options, restricted stock units and deferred stock units under the Startek, Inc. 2008 Equity Incentive Plan and our Employee Stock Purchase Plan. The compensation expense that has been charged against income for the six months ended June 30, 2023, was $769 (June 30, 2022 $833) and for the three months ended June 30, 2023 was $389 (June 30, 2022 $405) is included in selling, general and administrative expense. As of June 30, 2023, there was $1,531 million of total unrecognized compensation expense related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.32 years.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following items:

	Foreign Currency Translation Adjustments	Defined Benefit Plan	Equity attributable to Startek shareholders	Non-controlling interests	Total
Balance on December 31, 2022	**(11,781)**	**(4,277)**	**(16,058)**	**(4,601)**	**(20,659)**
Continuing Operations					
Foreign currency translation	(2,525)	-	(2,525)	-	(2,525)
Pension amortization*	-	124	124	-	124
Discontinued Operations					
Foreign currency translation	(50)	-	(50)	-	(50)
Pension amortization	-	3,573	3,573	614	4,187
Redemption of NCI on disposal of CCC	-	-	-	3,987	3,987
Balance at June 30, 2023	**(14,356)**	**(580)**	**(14,936)**	**-**	**(14,936)**

*Pension amortisation is net of tax impact of $97.

14. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company provides business process outsourcing services ("BPO") to clients in various industries and geographical locations. Our approach is focused on providing our clients with the best possible combination of services and delivery locations to meet our clients' needs in the best and most efficient manner. Our Global Chief Executive Officer (CEO) who has been identified as the Chief Operating Decision Maker ("CODM"), reviews financial information mainly on a geographical basis.

Our operating business model is focused on the geographies in which we operate. Our CODM reviews the performance and makes resource allocation geography-wise, hence the geographical level represents the operating segments of the Company. In the previous year with operations in Middle east and Argentina being considered as held for sale and discontinued operations, we identified following geographies as reportable segments;

a) Americas
b) India and Sri Lanka
c) Malaysia
d) Australia
e) South Africa
f) Rest of World

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Americas	45,558	41,952	90,035	87,367
India & Sri Lanka	22,158	26,264	45,405	54,224
Malaysia	10,696	11,431	21,278	22,711
Australia	8,271	9,628	17,259	19,107
South Africa	4,509	5,992	9,275	12,182
Rest of World	5	880	34	1,648
Total	**91,197**	**96,147**	**183,286**	**197,239**

	Three months ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating income (loss)				
Americas	2,673	(316)	4,798	(2,635)
India & Sri Lanka	(1,940)	1,178	(1,702)	4,644
Malaysia	2,164	2,579	5,054	4,605
Australia	756	975	1,316	2,076
South Africa	886	673	1,113	1,851
Rest of World	(650)	(708)	(1,773)	(1,266)
Segment operating income	**3,889**	**4,381**	**8,806**	**9,275**
Startek consolidation adjustments				
Private offer transaction cost	-	(692)	-	(1,192)
Intangible amortization	(2,582)	(2,581)	(5,143)	(5,142)
Total operating income	**1,307**	**1,108**	**3,663**	**2,941**

A single client in the Americas segment accounted for 10% of the consolidated total net revenue during the three and six months ended June 30, 2023 and 2022, respectively.

Property, plant and equipment, net by geography based on the location of the assets are presented below:

	As of June 30, 2023	As of December 31, 2022
Property, plant and equipment, net		
Americas	10,077	9,718
India & Sri Lanka	13,389	8,340
Malaysia	2,303	2,390
Australia	1,006	829
South Africa	1,309	1,508
Rest of World	116	160
Total	**28,200**	**22,945**

Investment in Equity Accounted Investees

On February 25, 2021, the Company had made a $25 million investment in CSS Corp LLP ("an Investment Limited Liability Partnership"), the Company accounted for this investment under the equity accounted investee method of accounting in accordance with ASC 323-30-S99-1. The CODM received a partnership statement of CSS Corp LP on quarterly basis and evaluated the carrying value of the investment in equity accounted investees. On December 27, 2022, the Company had redeemed its investment in CSS Corp LP and received proceeds of $45.6 million and recognized a gain on sale of investment of $8.4 million.

15. LEASES

We have operating and finance leases for service centers, corporate offices, and certain equipment. Our leases have remaining lease terms of 1 year to 9 years, some of which include options to extend the leases for up to 3-5 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating lease cost	4,401	4,939	8,781	10,228
Finance lease cost				
Amortization of right-of-use assets	-	115	38	256
Interest on lease liabilities	-	5	-	64
Total finance lease cost	**-**	**120**	**38**	**320**

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	9,887	11,277
Operating cash flow from finance leases	-	64
Financing cash flows from finance leases	-	248
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	8,901	1,491
Finance leases	-	-

Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2023	As of December 31, 2022
Operating leases		
Operating lease right-of-use assets	**37,591**	**36,450**
Operating lease liabilities - Current	14,951	14,492
Operating lease liabilities - Non-current	26,464	26,651
Total operating lease liabilities	**41,415**	**41,143**
Finance Leases		
Property and equipment, at cost	1,509	1,509
Accumulated depreciation	(1,509)	(1,471)
Property and equipment, at net	**-**	**38**

Weighted average remaining lease term	As of June 30, 2023	As of December 31, 2022
Operating leases (in years)	2.72 years	2.60 years
Finance leases (in years)	0.00 years	0.00 years
Weighted average discount rate		
Operating leases	6.5%	6.0%
Finance leases	0.0%	0.0%

The following table reconciles the undiscounted cash flows for the Company's finance and operating leases as of June 30, 2023, to the finance and operating lease liabilities recorded on the Company's balance sheet:

	Operating Leases
Year ending December 31,	
Remainder of 2023	9,142
2024	16,472
2025	10,624
2026	5,486
2027	3,539
Thereafter	2,889
Total lease payments	**48,152**
Less: Imputed interest	(6,737)
Total present value to lease liabilities	**41,415**

16. COMMON STOCK

Share Repurchase Plan

On April 24, 2023, the Board of Director's approved to replace its prior stock repurchase plan with a new plan pursuant to which the Company will be authorized to repurchase up to $20 millions of the Corporation's common stock from time to time (the "New Repurchase Program") in accordance with the requirements of the Securities and Exchange Commission, including but not limited to Rule 10b-18. Repurchases will be implemented by the Chief Financial Officer consistent with the guidelines adopted by the board of directors and will depend on market conditions and other factors.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. Our stock repurchase plan may be suspended or discontinued at any time. The actual timing, number and value of shares repurchased depends on a number of factors, including the market price of our common stock, general market and economic conditions, the shares withheld for taxes associated with the vesting of restricted stock, other corporate considerations and CFO's determination as to the appropriate use of our cash.

Stock repurchase activity during the six months ended June 30, 2023 was as follows:

Period Ended	**Total number of shares purchased**	**Average price paid per share (1) ($)**	**Total number of shares purchased as part of publicly announced program**	**Maximum dollar value that may yet to be purchased under program ($)**
April 30, 2023	-	-	-	20,000,000
May 31, 2023	13,894	3.05	13,894	19,957,988
June 30, 2023	38,085	2.94	38,085	19,845,980
Total	**51,979**		**51,979**	

17. SUBSEQUENT EVENTS.

Open Offer

On July 18, 2023, CSP EAF II GP Limited general partner of CSP Fund II LP ("CSP") has submited an open offer ("the Proposal") to acquire all of the outstanding shares of common stock ("Common Shares") of Startek, Inc. ("Startek") that are not already beneficially owned by CSP Management Limited at a price per share of $3.80 in cash. Subsequently, the Board of Startek has appointed a Special Committee comprising of three independent directors to evaluate the Proposal. The Committee has appointed independent advisors to assist them in their evaluation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022 and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022. All dollar amounts are presented in thousands other than per share data.

BUSINESS DESCRIPTION AND OVERVIEW

Startek is a leading global provider of technology-enabled business process management solutions. The Company provides Omni-channel CX, digital transformation, and technology services to some of the world's leading brands. Startek is committed to impacting clients' business outcomes by focusing on enhancing CX and digital enablement across all touch points and channels. Startek has more than 32,000 employees delivering services in 11 countries. The Company services over 145 clients across a range of industries such as Banking and Financial Services, insurance, technology, telecom, healthcare, travel and hospitality, consumer goods, retail, media & cable, E-commerce and energy and utilities.

Startek manages over half a billion customer moments of truth each year for the world's leading brands. We help these brands increase their revenues by enabling better experiences for their customers across multiple channels. As a leading provider of technology-enabled business process management solutions for major global brands—we drive business value through omnichannel CX, digital transformation and technology services.

SIGNIFICANT DEVELOPMENTS

None.

Key Matters Pertaining to Subsidiaries

Strategic Divestitures

Sale of stake in Saudi Arabia:

On April 3, 2023, the Company completed its sale of ownership interest in CCC to Solutions. At closing, the final consideration received was $69.8 million. Under the Sale and Purchase Agreement, the Company will act as a guarantor for the obligations of its indirect subsidiary that owned the Company's interests in CCC. Refer to Note 3A for detailed information relating to sale of stake in Saudi Arabia.

RESULTS OF OPERATIONS — THREE MONTHS ENDED JUNE 30, 2023 AND 2022

Revenue

Our revenues for the three months ended June 30, 2023 decreased by 5.1% to $91,197 as compared to $96,147 for the three months ended June 30, 2022.

The breakdown of our net revenues from various segments for the three months ended June 30, 2023 and 2022 is as follows:

	Three Months Ended June 30,	
	2023	**2022**
Americas	45,558	41,952
India & Sri Lanka	22,158	26,264
Malaysia	10,696	11,431
Australia	8,271	9,628
South Africa	4,509	5,992
Rest of World	5	880
Total	**91,197**	**96,147**

The increase in revenue in the Americas region was led by the ramp with new clients and increased momentum with existing clients. This was partially offset by the high base in 2022 from the media and cable client that churned in June 2022.

Revenue decrease in India and Sri Lanka region was primarily led by volume declines with a food delivery client. This decline was partially offset by an increase in other e-commerce and financial services clients where we continue to gain wallet share. In the current period, the Company added new international business to be delivered from India which are in the ramp stage. Revenue in the current period was also impacted by adverse foreign exchange movement where Indian Rupee depreciated relative to the US Dollar.

Revenue in Malaysia and Australia saw a marginal decline due to temporary lower volumes with a few clients.

South Africa revenue declined due to lower volumes with a domestic telecom major.

Revenue in rest of world decreased due to movement of revenues from Peru to Argentina as there are increased restrictions on making international payments from Argentina.

The breakdown of our net revenues from various industry verticals for three months ended June 30, 2023 and 2022 is as follows:

	For Three Months Ended June 30, 2023	**For Three Months Ended June 30, 2022**	**For Three Months Ended June 30, 2023**	**For Three Months Ended June 30, 2022**
Verticals:				
Telecom	23,387	24,646	26%	26%
E-commerce & Consumer	16,542	18,595	18%	19%
Financial & Business Services	11,928	13,085	13%	14%
Media & Cable	15,537	14,403	17%	15%
Travel & Hospitality	11,847	12,284	13%	13%
Healthcare & Education	4,842	6,497	5%	7%
Technology, IT & Related Services	2,839	3,304	3%	3%
Other verticals	4,275	3,333	5%	3%
Net revenue	**91,197**	**96,147**		

Telecom vertical reported marginal declines in revenue in the current quarter compared to the prior period. This was led by lower revenue with the South African telecom client which was partially offset by continuous momentum with our other telecom majors based in the United States.

E-commerce vertical reported lower year-on-year revenue due to lower volumes with a food delivery client in India. We continue to maintain momentum with other clients in this segment.

The Financial & Business services vertical continues to perform steadily as we strengthen our partnership with key clients in these verticals. The decline in the current period was due to rate negotiation with a business services client.

The increase in revenue from the Media vertical was led by the ramp with the new client won in the fourth quarter of 2022. Ramp with this client offset the high base of the previous period that had revenue from the cable client that churned in June 2022.

While the travel sector witnessed improvement in volumes and new wins, the year-on-year decline was driven by temporary decline in volumes with one client in Australia.

The decline in revenue in Healthcare & Education is primarily due to shift of volumes to near shore and offshore delivery geographies.

Others include contracts with energy and utility, public sector enterprises and government entities where we have seen a marginal increase in revenues. The new contract with the utility client has steadily ramped up in the current period.

Cost of services and gross profit

Overall, the cost of services as a percentage of revenue decreased to 87.2% for the three months ended June 30, 2023 compared to 88.5% for the three months ended June 30, 2022. Employee expenses, rent costs, and depreciation and amortization are the most significant costs for the Company, representing 71.8%, 5.7%, and 6.6% of the total cost of services, respectively. The breakdown of the cost of services is listed in the table below:

	Three Months Ended June 30,	
	2023	**2022**
Employee benefit expenses	57,133	61,902
Rent expense	4,517	4,662
Depreciation and amortization	5,255	5,173
Other	12,629	13,376
Total	**79,534**	**85,113**

Employee expenses: Our business heavily relies on our employees to provide professional services to our clients. Thus, our most significant costs are payments made to agents, supervisors, and trainers who are directly involved in delivering services to the clients.

Employee expenses as a percentage of revenues decreased to 62.6% for the current period as compared to 64.4% for the previous period. This decrease was primarily driven by a change in geography mix with higher revenues accruing from offshore and near shore delivery that have lower employee costs.

Rent expense: Rent expense as a percentage of revenue increased to 5.0% for the current period as compared to 4.8% for the previous period. The marginal increase is percentage cost is driven by low revenue base for the current period relative to the previous period. In absolute terms, the rent expenses remained at similar levels as the previous period.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period was increased to 5.8% as compared to 5.4% for the previous period. The increase was due to lower revenue base in the current period relative to the previous period.

Other expenses include recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs remained largely flat at 13.8% compared to 13.9% during the previous period. The current period witnessed an increase in traveling and conveyance, and insurance premiums that was partly offset by lower utility and maintenance costs.

As a result, gross profit as a percentage of revenue for the current period increased to 12.8% as compared to 11.5% for the previous period.

	Three Months Ended June 30,	
	2023	**2022**
Revenue	**91,197**	**96,147**
Cost of services	79,534	85,113
Gross profit	**11,663**	**11,034**
Gross margin	12.8%	11.5%

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased from 10.2% in the previous period to 11.8% in the current period. The increase in SG&A expenses is due to lower revenue base of revenue and also partly due to the incremental investments in sales and marketing efforts and also due to an increase in traveling costs.

Impairment (losses)/ reversals and restructuring/exit cost, net

Impairment losses and restructuring costs, net totaled $(442) for the current period as compared to $78 for the previous period. The restructuring cost during the current quarter include gain on partial termination of lease at Peru.

Interest expense and other income (expense), net

Interest expense and other income (expense), net totaled $1,582 for the current period as compared to $1,315 for the previous period. The increase in interest expense was due to an increase in global rates and yields.

Income tax expense

Income tax expense for the current period was $101 compared to $1,303 for the previous period. The movement in the effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

Income from Discontinued Operations

Discontinued operations include the results of operations for the CCC and Argentina business that are reported separately as discontinued operations in the Consolidated Statement of Income (loss).

RESULTS OF OPERATIONS — SIX MONTHS ENDED JUNE 30, 2023 AND 2022

Revenue

Our revenues for the six months ended June 30, 2023 decreased by 7.1% to $183,286 as compared to $197,239 for the six months ended June 30, 2022.

The breakdown of our net revenues from various segments for the six months ended June 30, 2023 and 2022 is as follows:

	Six Months Ended June 30,	
	2023	2022
Americas	90,035	87,367
India & Sri Lanka	45,405	54,224
Malaysia	21,278	22,711
Australia	17,259	19,107
South Africa	9,275	12,182
Rest of World	34	1,648
Total	**183,286**	**197,239**

The increase in revenue in the Americas region was driven by ramps with new clients won in fourth quarter of 2022 and the current period and also from continuous momentum with key existing clients. The growth was partially offset by the churn of a cable and media client in June 2022.

Revenue decrease in India and Sri Lanka region was due to lower volumes with a food delivery client and due to adverse foreign exchange movement.

Revenue in Malaysia and Australia saw a marginal decline due to temporary lower volumes with some clients.

South Africa revenue declined due to lower volumes with a domestic telecom major.

Revenue in rest of world decreased due to shift of volumes from Peru to Argentina led by increased restrictions on making international payments from Argentina.

The breakdown of our net revenues from various industry verticals for six months ended June 30, 2023 and 2022 is as follows:

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Verticals:				
Telecom	47,372	48,989	26%	25%
E-commerce & Consumer	32,538	38,738	18%	20%
Financial & Business Services	25,307	26,221	14%	13%
Media & Cable	29,503	29,755	16%	15%
Travel & Hospitality	23,546	24,556	13%	12%
Healthcare & Education	11,487	15,131	6%	8%
Technology, IT & Related Services	6,110	6,924	3%	4%
Other verticals	7,423	6,925	4%	4%

Revenue	**183,286**	**197,239**

Telecom vertical reported marginal declines in revenue in the current quarter compared to the prior period. This was led by lower volumes with a South African telecom major. We continue to see increased momentum with our other large telecom clients based in the United States.

E-commerce vertical reported lower year-on-year revenue due to lower volumes with a food delivery client in India. We continue to maintain momentum with other clients in this vertical.

The Financial & Business services vertical continues to perform steadily as we strengthen our partnership with key clients in these verticals.

While the travel sector witnessed improvement in volumes and new wins, the year-on-year decline was driven by temporary decline in volumes with one client in Australia.

The decline in revenue in Healthcare & Education is primarily due to shift of volumes to near shore and offshore delivery geographies.

Others include contracts with energy and utility, public sector enterprises and government entities where we have seen a marginal decrease in revenues. The new contract with the utility client has started ramping up in the current period.

Cost of services and gross profit

Overall, the cost of services as a percentage of revenue decreased to 86.6% for the six months ended June 30, 2023 compared to 87.4% for the six months ended June 30, 2022. Employee expenses, rent costs, and depreciation and amortization are the most significant costs for the Company, representing 72.3%, 5.7%, and 6.6% of the total cost of services, respectively. The breakdown of the cost of services is listed in the table below:

	Six Months Ended June 30,	
	2023	**2022**
Employee Benefit Expenses	114,676	126,652
Rent expense	8,965	9,533
Depreciation and amortization	10,481	10,966
Other	24,519	25,265
Total	**158,641**	**172,416**

Employee expenses: Our business heavily relies on our employees to provide professional services to our clients. Thus, our most significant costs are payments made to agents, supervisors, and trainers who are directly involved in delivering services to the clients.

Employee expenses as a percentage of revenues decreased to 62.6% for the current period as compared to 64.2% for the previous period. This decrease was primarily driven by a change in geography mix with higher revenues accruing from offshore and near shore delivery that have higher margins.

Rent expense: Rent expense as a percentage of revenue increased marginally to 4.9% for the current period as compared to 4.8% for the previous period.

Depreciation and amortization: Depreciation and amortization expense as a percentage of revenue for the current period was increased to 5.7% as compared to 5.6% for the previous period. The increase was due to a lower revenue base in the current period relative to the previous period.

Other expenses include recruitment, technology, utility, travel and outsourcing costs. As a percentage of revenue, these costs increased marginally to 13.4% from 12.8%. The increase in percentage terms was driven by lower revenue base in the current period. In absolute terms, the current period witnessed an increase in traveling and conveyance, recruitment charges, insurance premiums and outsourcing costs partly offset by lower utility and maintenance costs.

As a result, gross profit as a percentage of revenue for the current period increased to 13.4% as compared to 12.6% for the previous period.

	Six Months Ended June 30,	
	2023	**2022**
Revenue	**183,286**	**197,239**
Cost of services	158,641	172,416
Gross profit	**24,645**	**24,823**
Gross margin	**13.4%**	**12.6%**

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) as a percentage of revenue increased from 11.1% in the previous period to 11.5% in the current period. The increase in percentage terms was driven by lower revenue base in the current period.

Impairment (losses)/ reversals and restructuring/exit cost, net

Impairment losses and restructuring costs, net totaled $(125) for the current period as compared to $73 for the previous period. The restructuring cost during the quarter include $185 and $132 towards the restructuring exercise underway in Peru which was offsetting by $(442) towards gain on partial termination of lease at Peru.

Interest expense and other income (expense), net

Interest expense and other income (expense), net totaled $3,659 for the current period as compared to $3,045 for the previous period. The increase in interest expense was due to an increase in global rates and yields.

Income tax expense

Income tax expense for the current period was $1,010 compared to $1,941 for the previous period. The movement in the effective tax rate was primarily due to shifts in earnings among the various jurisdictions in which we operate coupled with utilization of net operating losses for entities having taxable profit and valuation allowance as per the requirement of ASC 740. Additionally, the movement of funds between various geographies primarily to service our debt facilities also attracts withholding taxes.

Income from Discontinued Operations

Discontinued operations include the results of operations for the Argentina business that are reported separately as discontinued operations in the Consolidated Statement of Income (loss).

Results of Operations of Argentina – June 30, 2023, and June 30, 2022

Our revenue for the period June 30, 2023, was lower at $12,964 compared to $15,978 for the period June 30, 2022. The reduction in revenue was largely driven by significant depreciation of Argentine Peso relative to US Dollar.

Overall, the cost of services as a percentage of revenue increased to 105% for the period June 30, 2023, compared to 102% for the period June 30, 2022. The decrease in costs is primarily attributable to the decrease in employee costs as per the collective bargaining agreement. This has resulted in a negative margin for the current period.

Selling, general and administrative expenses (SG&A) as a percentage of revenue slightly increase to 7.8%, compared to 6.4% for the period June 30, 2022.

Impairment losses and restructuring costs, net totaled $3,166 for the current period as compared to $2,049 for the previous period. It is primarily relating to severance payments made to employees and costs associated with the leases that has been surrendered in Argentina according to the restructuring plan.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows generated by operating activities, our working capital facilities, and term debt. We have historically utilized these resources to finance our operations and make capital expenditures associated with capacity expansion, upgrades of information technologies and service offerings, and business acquisitions. Due to the timing of our collections of receivables due from our major customers, we have historically needed to draw on our working capital facilities periodically for ongoing working capital needs. We have also entered into factoring agreements with financial institutions to sell certain of our accounts receivables under non-recourse agreement. The Company expects to meet all its debt obligations including compliance with all financial covenants in a timely manner.

The Term loan is subject to certain covenants, whereby the Company is required to meet certain financial ratios and obligations on a quarterly basis. As of June 30, 2023, the Company was in compliance with all financial covenants. During this year, the Company has taken steps to significantly reduce our leverage. So far during this year, the Company made a repayment of around 60% of debt outstanding at the beginning of the year from the proceeds of multiple divestments. With this repayment, the Company significantly improved leverage ratios and strengthen liquidity situation.

Cash and cash equivalents and restricted cash

As of June 30, 2023, cash, cash equivalents, and restricted cash held by the Company and all its foreign subsidiaries decreased by $33,344 to $39,059 compared to $72,403 as of December 31, 2022. The restricted cash balance as of June 30, 2023 stood at $4,151 as compared to $49,946 as of December 31, 2022. The restricted cash pertains to the debt service reserve account (DSRA) that Company have to maintain according to the Senior Term Agreement and for certain term deposits that need to be maintained in accordance with some of our lease and client agreements. During the period, the Company made a prepayment of $96,340 towards the term loan from the proceeds of divestment of stake in CSS Corp and the Saudi joint venture, CCC

Cash flows from operating activities

For the six months ended June 30, 2023 and 2022 we reported net cash provided by / used in operating activities of $8,286 and $9,372, respectively. The decrease is majorly due to lower net profit in the current period relative to the previous period.

Cash flows used in investing activities

For the six months ended June 30, 2023 and 2022, we reported net cash used in investing activities of $27,260 and $(5,303) respectively. The increase is majorly due to net proceeds received on account of disposal of CCC.

Cash flows from financing activities

For the six months ended June 30, 2023 and 2022 we reported net cash used in and provided by financing activities of $(97,656) and $(742), respectively. During the six months ended June 30, 2023 our net borrowings decreased mainly due to repayment of senior term debt during the period.

Debt

For more information, refer to Note 10, "Debt," to our consolidated financial statements included in Item 1, "Financial Statements."

CONTRACTUAL OBLIGATIONS

Smaller reporting companies are not required to provide the information required by this item.

OFF-BALANCE SHEET ARRANGEMENTS

Apart from certain non-recourse receivables factoring as mentioned in the Note 10 "Debt" of the notes to the consolidated financial statements, we have no other material off-balance sheet transactions, unconditional purchase obligations, or similar instruments, and we are not a guarantor of any other entities' debt or other financial obligations.

VARIABILITY OF OPERATING RESULTS

We have experienced and expect to continue to experience some quarterly variations in revenue and operating results due to a variety of factors, many of which are outside our control, including: (i) timing and amount of costs incurred to expand capacity in order to provide for volume growth from existing and future clients; (ii) changes in the volume of services provided to clients; (iii) expiration or termination of client projects or contracts; (iv) timing of existing and future client product launches or service offerings; (v) seasonal and or temporary nature of certain clients' businesses; and (vi) variability in demand for our services by our clients depending on demand for their products or services, and/or depending on our performance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements in conformity with US-GAAP, management must undertake decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions upon which accounting estimates are based. Management applies its best judgment based on its understanding and analysis of the relevant circumstances to reach these decisions. By their nature, these judgments are subject to an inherent degree of uncertainty. Accordingly, actual results may vary significantly from the estimates we have applied.

While our significant accounting policies are described in more detail in Note 2, "Summary of Significant Accounting Policies" to our financial statements appearing elsewhere in Form 10-Q, we believe that the following accounting policy is most critical to the judgments and estimates used in the preparation of our financial statements.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of the identifiable tangible and intangible net assets purchased. Goodwill is tested for impairment at least on an annual basis on December 31, or as circumstances warrant based on several factors, including operating results, business plans and future cash flows. We perform an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than it's carrying amount. Based on our assessment of events or circumstances, we perform a quantitative assessment of goodwill impairment if it is determined that it is more likely than not that the fair value of a reporting unit is less than it's carrying amount.

As of June 30, 2023, based on the qualitative assessment, we concluded that there is no impairment of goodwill.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As Startek has qualified for Smaller Reporting Company status, this disclosure is not required.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures:

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2023.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022except below:
The risk titled as "Adverse changes to our relationships with the companies with whom we have an alliance or joint venture or in the business of the companies with whom we have an alliance or joint venture could adversely affect our results of operations." is no longer applicable to the Company due to disposal of the Company's interest in joint venture (CCC), in Saudi Arabia.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In the year 2004, the Company had announced the "Repurchase plan" that authorized the Company to repurchase up-to $25 million of common stock. The program will remain in effect until the same is terminated by the Board of Directors and will allow the Company to repurchase common stock from time to time on the open market either via block trades or privately negotiated transactions or by other means in accordance with federal securities laws, including Rule 10b5-1 programs or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Repurchases will be implemented by the Chief Financial Officer (CFO) consistent with the guidelines adopted by the Board of Directors and will depend on market conditions and other factors. Pursuant to the Board of Directors meeting held on August 26, 2021, the Board restricted the CFO from exceeding $2 million of repurchases with any purchases more than $2 million requiring Board review. Further in board meeting held on December 14, 2021 the Board of Director's approved additional $2 million towards a stock repurchase plan.

During the six months ended June 30, 2023, we repurchased an aggregate of 51,979 shares of our common stock under our repurchase plan at an average cost of $2.96 per share.

On April 24, 2023, the Board of Director's approved to replace the Original Repurchase Plan with a new plan pursuant to which the Company will be authorized to repurchase up to $20 millions of the Corporation's common stock from time to time (the "New Repurchase Program") in accordance with the requirements of the Securities and Exchange Commission, including but not limited to Rule 10b-18.

Additional information regarding the Company's repurchases of common stock during the three months ended June 30, 2023 is set forth in Note 16 to the accompanying consolidated financial statements which is incorporated by reference into this Item 2.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plans: During the quarter ended June 30, 2023, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K)."

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ITEM 6. EXHIBITS

INDEX OF EXHIBITS

Exhibit No.		Incorporated Herein by Reference		
		Filing Description	Exhibit	Filing Date
10.1	Consent Request under Facilities Agreement dated March 24,2023	8K	10.1	April 21, 2023
10.2	Separation Agreement with Nishit Shah dated May 30, 2023	8K	10.2	June 5, 2023
10.3	Letter Agreement with Neeraj Jain dated June 1, 2023	8K	10.3	June 5, 2023
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Written Statement of the Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101*	The following materials are formatted in Extensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2023 and 2022 (Unaudited), (ii) Consolidated Balance Sheets as of June 30, 2023 (Unaudited) and December 31, 2022, (iii) Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2023 and 2022 (Unaudited) and (iv) Notes to Consolidated Financial Statements (Unaudited)			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed with this Form 10-Q.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

STARTEK, INC.

By:	/s/ Bharat Rao Bharat Rao Chief Executive Officer	Date: August 10, 2023
By:	/s/ Neeraj Jain Neeraj Jain Chief Financial Officer	Date: August 10, 2023

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Bharat Rao, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Startek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Bharat Rao
Bharat Rao
CEO

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Neeraj Jain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Startek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Neeraj Jain
Neeraj Jain
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS

In connection with the Quarterly Report of Startek, Inc. on Form 10-Q for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned individuals, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: August 10, 2023	/s/ Bharat Rao Bharat Rao Chief Executive Officer
Date: August 10, 2023	/s/ Neeraj Jain Neeraj Jain Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.