

Annual Report 2016

Letter from the chairman



Dear Shareholders

On behalf of the Board, I thank you for your continued support of the Mitula Group.

2016 was a very good year for the Mitula Group. The key highlights included:

- ▶ Strong revenue and EBITDA growth with revenue increasing by 36.2% year on year to \$28.0 million and Adjusted EBITDA increasing by 32.9% year on year to \$12.7 million;
- ▶ A 215.7% increase in profit after tax to \$8.2 million;
- ▶ Strong positive adjusted operating cash flow of \$11.0 million with \$20.5 million cash at bank at the end of the year – even after paying the cash components of two acquisitions;
- ▶ The successful acquisition and integration of Nuroa Internet in February 2016 and the DotProperty Group in September 2016;
- ▶ The launch of vertical search sites in 7 new countries and the launch of an additional 11 new sites in existing countries under the Nuroa and Nestoria brands;
- ▶ Our entry to the fashion vertical with the launch of Mitula Fashion in Spain;
- ▶ The setting up of a big data team to analyse the terabytes of data we collect on both listings and consumer behaviour; and
- ▶ The enhancement of our leadership team with the appointment of Miguel Galera as COO and Georg Chmiel to the Board.

Perhaps more importantly for the business was clarification of our future growth strategy. Historically we have been a vertical search business that focused on the generation and sale of clicks – either as CPC to our advertising partners or via Google AdSense.

However, as we have grown in visits and become more relevant in some markets, we are transitioning the business from the sale of clicks, in selected markets, to the more lucrative advertising and transaction parts of the value chain. Our strategy will vary market by market and segment by segment depending on our relevance and the opportunities presented to us.

We started this transition in 2016 with the launch of display advertising products and with the acquisition of the DotProperty network of property portals in SE Asia. In both instances, we are now providing a broader range of customers with display advertising or listing packages to promote themselves and/or their listings to our ever-increasing audience.

During the year, we launched a big data team with the responsibility to analyse the terabytes of data that we collect on listings and on consumer behavior. This will allow us to enhance the quality of the clicks that we provide our customers as well as to position ourselves as a thought leader in what is happening in the global, selected local, real estate, motoring and employment markets.

We launched our Mitula branded fashion vertical in October with the objective of allowing us to participate in the fashion transaction stream. For each buyer we send to a retail partner, we receive a percentage of their spend over the first 30 days. On the back of this, we completed the acquisition of Kleding BV in the Netherlands at the beginning of March 2017. They are the operator of 16 fashion vertical sites across 15 different countries thus rapidly accelerating our entry to this lucrative transaction-based market.

Finally, we have started 2017 on a positive note with record revenue, visits and clicks to our partners in January. We had 80 million visits to our network of sites and we delivered 125 million click outs to our advertising partners.

On behalf of the Board, I would like to thank our CEO, Gonzalo del Pozo, and his management team. Over the course of the year, they have managed two acquisitions and their integration into our existing business, expanded the number of employees from 83 to 158, and delivered strong organic growth.

We look forward to the continued growth and success of the Mitula Group in 2017.

A handwritten signature in black ink, appearing to read 'S. Baker'.

Simon Baker
Chairman

General summary

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The Mitula Group presence

Countries

- 01 Brazil

02 Mexico

03 Spain

04 Chile

05 India

06 Colombia

07 Italy

08 Argentina

09 Indonesia

10 United Kingdom

11 Turkey
- 12 Portugal

13 France

14 Germany

15 South Africa

16 Peru

17 Philippines

18 Russia

19 Ecuador

20 Australia

21 Poland

22 Malaysia
- 23 Venezuela

24 Morocco

25 The Netherlands

26 Pakistan

27 Thailand

28 USA

29 Canada

30 Belgium

31 United Arab Emirates

32 Ireland
- 33 Austria

34 Romania

35 Tunisia

36 Panama

37 Switzerland

38 Nigeria

39 Denmark

40 Kenya

41 Vietnam

42 New Zealand

43 Sweden
- 44 Ukraine

45 Hong Kong

46 Singapore

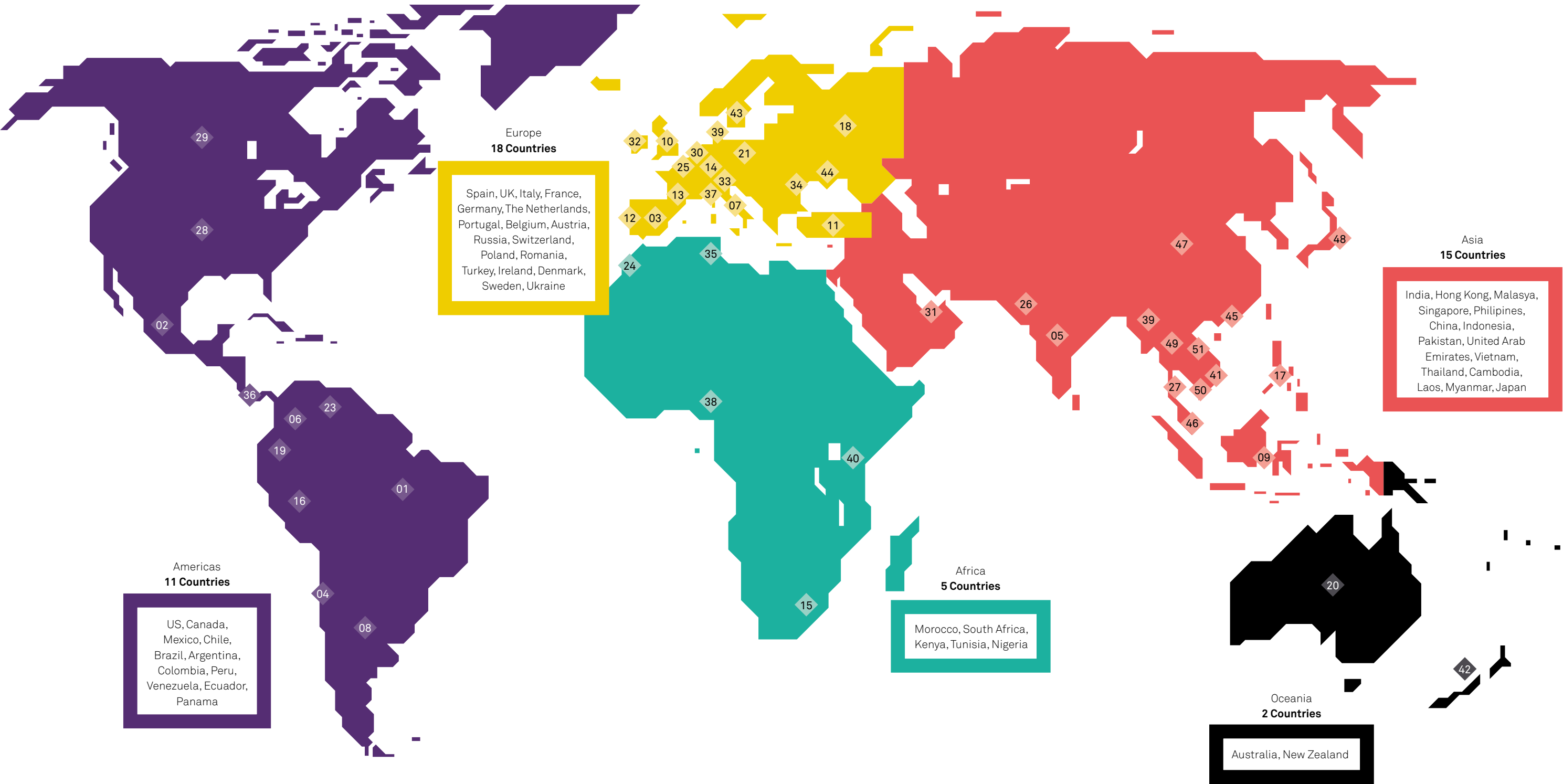
47 China

48 Japan

49 Myanmar

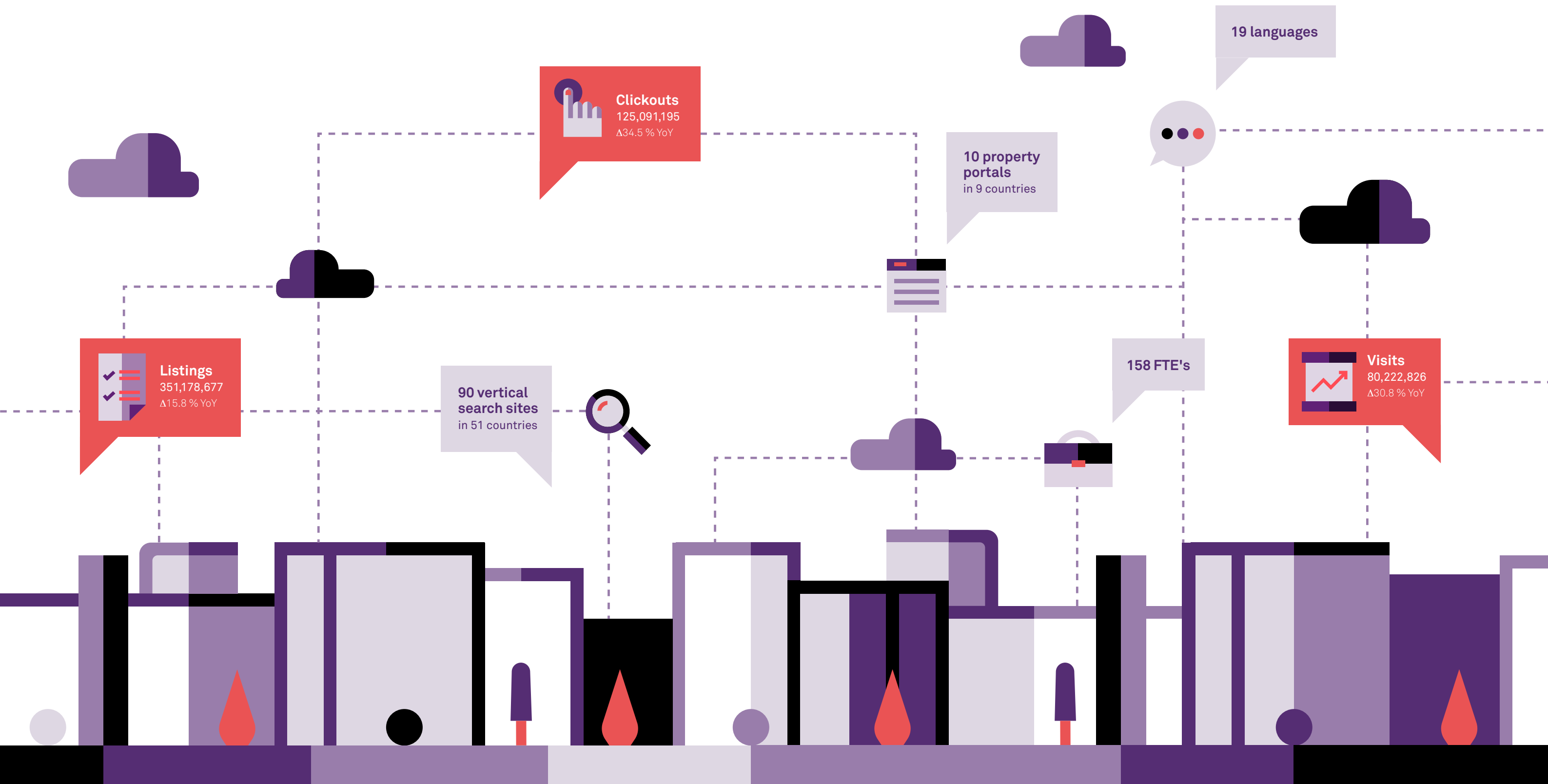
50 Cambodia

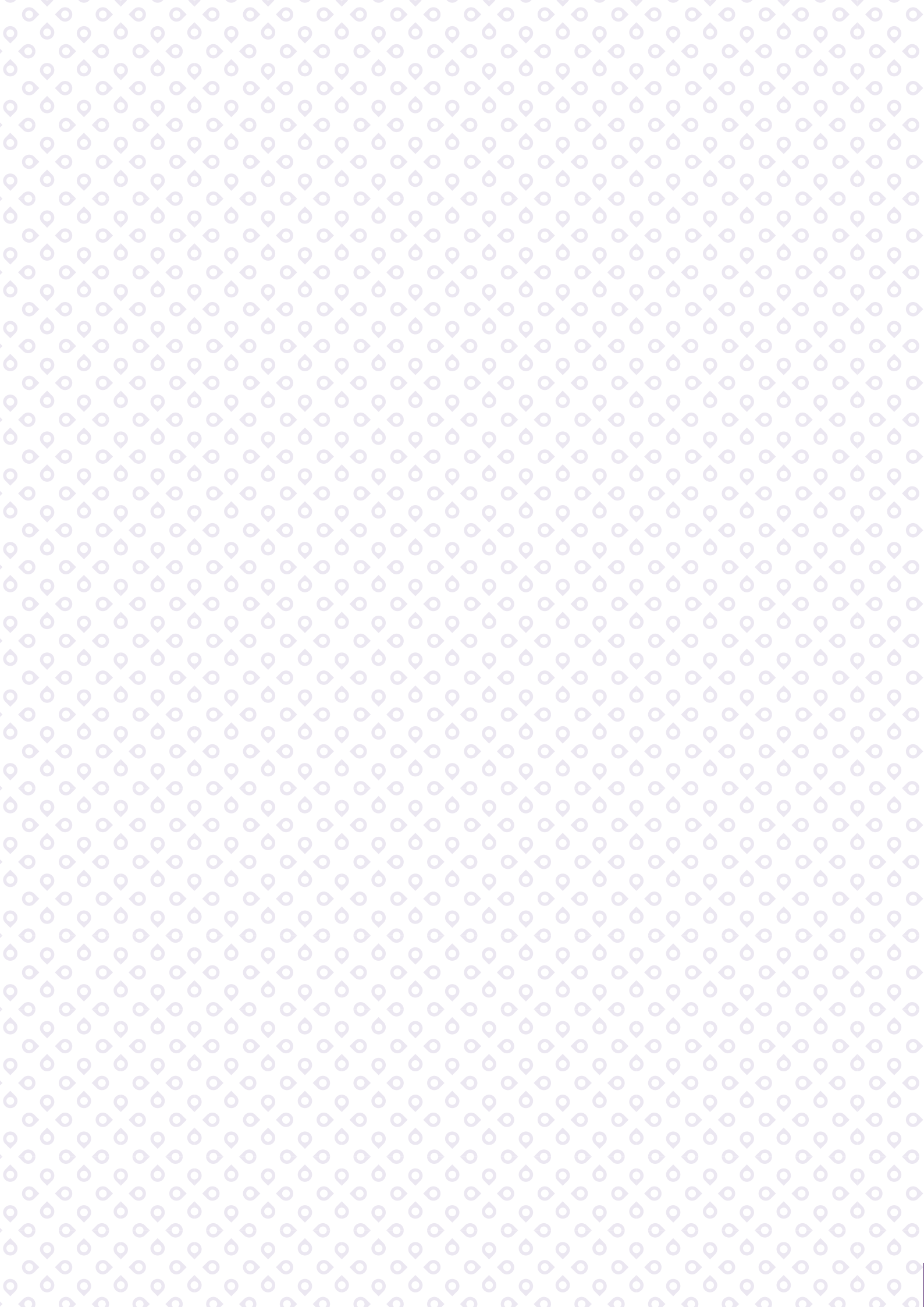
51 Laos



Mitula Group in numbers

As of 31st of January 2017





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Directors

- 1. **Mr Simon Baker**
Independent Chairman
- 2. **Mr Gonzalo del Pozo**
Chief Executive Officer and Executive Director



- 3. **Mr Gonzalo Ortiz**
Non-Executive Director



- 4. **Mr Joe Hanna**
Independent Non-Executive Director



- 5. **Mr Sol Wise**
Independent Non-Executive Director



- 6. **Mr Georg Chmiel**
Independent Non-Executive Director



Secretary

Mr Lee Mitchell

Principal registered
office in Australia

Level 6, 330 Collins Street
Melbourne VIC 3000

Share registry

Boardroom Pty Limited
Level 12 Grosvenor Place
225 George Street
Sydney NSW 200, Australia
Ph: 1300 737 760 (within Australia)
+61 2 9290 9600 (outside Australia)
Fax: +61 2 92790664

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank Vic 3006

Stock exchange listing

Mitula Group Limited shares are listed on the Australian Securities Exchange (ASX: MUA).

Website address

www.mitulagroup.com

The Directors present their report on the consolidated entity consisting of Mitula Group Limited (“The Company”) and its controlled entities (“The Group”), for the year ended 31 December 2016

○ Directors and company secretary

The following persons were directors of Mitula Group Limited during the year and up to the date of this report:

Simon Baker	Independent Chairman
Gonzalo del Pozo	Chief Executive Officer and Executive Director
Gonzalo Ortiz	Non-Executive Director
Joe Hanna	Independent Non-Executive Director
Sol Wise	Independent Non-Executive Director
Georg Chmiel	Independent Non-Executive Director (appointed 18 January 2017)

The company secretary is Mr Lee Mitchell. Lee is a director of Convergence Legal, a boutique commercial law firm based in Melbourne, Victoria and is a qualified solicitor with 22 years experience. Lee practices principally in corporate and commercial law advising on corporate and securities regulation, equity capital raisings, formulation and implementation of mergers and acquisitions, corporate governance and company secretarial matters.

○ Principal activities

The Mitula Group is a leading digital classifieds group operating classifieds vertical search and portals sites.

- ▶ It operates 90 vertical search sites across property, employment, motoring and fashion in 51 different countries and 19 different languages. These sites operate under the Mitula, Nestoria and Nuroa brands.
- ▶ It operates 10 property portals in nine South East Asian countries under the DotProperty and Thailand-property brands.

The Mitula Group generates over 80 million visits per month to its network of classified vertical search and portal sites.

The Mitula Group’s vertical search functionality gives its website users the ability to search across listings from multiple verticals, being real estate, automotive, employment, and, in some countries holiday rentals, and obtain search results from multiple advertisers with one search query. With access to the search results of multiple advertisers, users are offered a more convenient and efficient search experience than performing a search on a single advertiser’s website.

The Mitula Group monetises visits to these sites through a range of products and services including Google AdSense, cost-per-click out (“CPC”) sales, cost-per-acquisition (“CPA”), display advertising, and listing sales.

The Mitula Group customers include portals (property, employment and motoring), online fashion stores, general classified sites, real estate agents, developers and general display advertisers.

○ Dividends

The Group is not proposing to pay dividends in Financial Year 2016 (Financial Year 2015: \$2.9 million). There are no dividend or distribution reinvestment plans in operation.

○ Significant Changes in State of Affairs

Business combination – Nuroa

On 29 February 2016, Mitula Classified SL acquired 100 % of the issued share capital of Nuroa Internet SL. The total purchase consideration was approximately \$3.28 million (€2.14 million). This acquisition has been funded by new shares issued by Mitula Group Ltd. and from its existing cash reserves (see note 16.2).

Nuroa is a Spanish company which owns and operates 23 real estate vertical search websites in 23 countries. Nuroa operates a similar model to the Mitula Group with revenues being derived from CPC (cost per click) and Google AdSense.

After the acquisition Nuroa was merged into Mitula Classified SL. The allocation of the goodwill will be finalized within 12 months of the acquisition date. This merger was undertaken to exploit the synergies of the two businesses.

Business combination – Dot Property

On 2 September 2016 the Group acquired Singapore-based DotProperty Pte Ltd (“DotProperty”) to provide the Company with property portals in some of its Tier 2 South East Asian markets and therefore the ability to significantly enhance the monetisation of visits in these markets.

The consideration, as a part of the acquisition, was A\$12.4 million consisting of A\$4.96 million in cash and 6.7 million Mitula Group Limited shares with at an implied issue price of \$1.11 per share. 40 % of the share based consideration provided to the sellers was deferred to be issued in two further tranches over a 2-year period.

Non-IFRS financial information

Through this report the Group has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. The Group uses these measures to assess performance of the business and believes that this information would be useful for investors.

- **Adjusted operating expenses:** total operating expenses less one off costs associated with IPO and business acquisition.
- **EBITDA:** earnings before interest, tax and depreciation and amortisation.
- **Adjusted EBITDA:** EBITDA plus add back of one off costs associated with IPO and business acquisition.
- **EBT:** Earnings before taxes, equivalent to profit before tax.
- **NPAT:** Net profit after tax, equivalent to profit after tax.
- **Adjusted Operating Cash Flow:** Net cash flow from operating activities adjusted for payment of IPO transaction cost, costs associated with acquisition of subsidiaries, income tax and interest received.

Review of operations

\$'000	12 Months to 31 Dec 2016	12 Months to 31 Dec 2015	Growth
Revenue	28,023	20,568	36.2 %
AMERICAS	7,528	6,754	11.5 %
APAC	6,819	4,872	40.0 %
EMEA	13,676	8,942	52.9 %
Adjusted operating expenses	15,340	11,025	39.1 %
Adjusted EBITDA¹	12,683	9,543	32.9 %
<i>Adjusted EBITDA margin</i>	45.3 %	46.4 %	
NPAT	8,174	2,589	215.7 %
NPAT margin	29.2 %	12.6 %	
Adjusted operating cash flow	11,012	8,797	25.2 %
Cash balance (end of period)	20,462	21,003	(2.6 %)

¹ Management believe additional Non-IFRS information (EBITDA) is useful in measuring the performance of the Group. See below reconciliation statements to Adjusted EBITDA and Adjusted Operational Expense and Adjusted Operational Expense.

Reconciliation to Adjusted EBITDA:

\$'000	12 Months to 31 Dec 2016	12 Months to 31 Dec 2015
Profit before tax	10,482	4,387
Depreciation & amortisation	1,974	1,103
Net finance expense / (income)	(317)	1,772
Net foreign exchange losses / (gains)	(208)	283
EBITDA	11,931	7,545
IPO expenses (note 7)	-	1,246
IPO expenses (share-based payments) (note 7)	574	574
Acquisition expenses (note 16)	178	178
Adjusted EBITDA	12,683	9,543

Reconciliation of Adjusted Operating Expense:

\$'000	12 Months to 31 Dec 2016	12 Months to 31 Dec 2015
Cost of sales	(3,515)	(2,511)
Employee benefit expenses	(8,139)	(5,794)
Operational expenses	(1,513)	(1,171)
Technology expenses	(1,004)	(823)
Office expenses	(842)	(672)
Corporate expenses	(1,078)	(2,053)
Rounding	(1)	1
Operating expenses	(16,092)	(13,023)
IPO expense (non-financial) (note 7)	-	1,246
IPO expense (share-based payments) (note 7)	574	574
Acquisition expenses (note 17)	178	178
Adjusted operating expenses	(15,340)	(11,025)

Adjusted operating expenses have grown by 39.1 %. This is mainly due to an increase in wages costs driven by an increase in middle management wages and headcount, together with the introduction of STI and LTI agreements, and the incorporation of Nuroa and Dot Property during 2016.

Adjusted EBITDA has grown by 32.9 % to \$12.7 million achieving a 45.3 % adjusted EBITDA margin, consistent with a 46.4 % adjusted EBITDA margin achieved in 2015.

Adjusted operating cash flow has increased 25.2 % to \$11 million from regular operations. Cash balance at year end decreased by 2.6 % due to investment and finance activities cash payments for a total of \$9.5 million during 2016.

Result of 2016 with 2015 exchange rates

\$'000	Statutory 2016	2016 with 2015 FX	Diff.	% Dif.
Revenues	28,023	28,536	(513)	(1.8 %)
Operational expenses	15,340	15,594	(254)	(1.6 %)
Adjusted EBITDA	12,683	12,942	(259)	(2.0 %)
EBITDA margin	45.3 %	45.4 %		
Profit for the year	8,174	8,433	(259)	(3.1 %)
NPAT margin	29.2 %	29.6 %		

Risk

- ▶ Reliance on the Google Ad Network, whereby adverse changes to existing revenue sharing arrangements could affect the Group's existing revenues. This risk is managed through a close relationship with Google and continuous monitoring of likely outcomes.
- ▶ Reliance on Google for visitation to the Group's websites could be impacted with changes to search engine algorithms. To manage this risk, management conducts regular reviews and has access to global SEO experts to formulate strategy, including identification of alternate providers.
- ▶ Lack of website availability or technical infrastructure interruption. As an online business, the availability of the Group's websites, applications and systems is essential to business success. To manage the risk of any outage, the Group has developed and implemented disaster recovery strategies, and business continuity plans. The Group also had developed internal tools and procedures for monitoring its websites.
- ▶ The Group is actively assessing expansion opportunities through acquisition. Potential investments may carry execution and integration risks. To assist managing this risk potential investments are assessed via a screening process, after which due diligence is carried out including a high technical element.
- ▶ As a global business operating in multiple currencies, the Group is exposed to foreign currency exchange risks. The Group maintains primary currency cash balances in Euro, GBP and USD. Risk is managed through diversification in these primary currencies and through adherence to its cash management and treasury policy.
- ▶ The Group has implemented key advertising account management strategies, with ongoing review procedures, to reduce the risk of loss or reduction of revenues from key advertisers in certain countries where the risk is identified.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group has established an Audit and Risk Committee to oversee the Group's risk management framework.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These are detailed in the Company's Corporate Governance Statement, a copy of which is available at: <http://www.mitulagroup.com/corporate-governance/>.

The Audit and Risk Committee assists in discharging the Board's responsibility to manage the Group's risks.

The Audit and Risk Committee oversees the implementation of our risk management framework to ensure management fulfils its risk management responsibilities. The Audit & Risk Committee is focused on operational, financial, strategic and IT-related risks.

The Audit and Risk Committee advises the Board on such matters as the Group's liquidity, currency, credit and interest rate exposures and monitors management's actions to ensure they are in line with Group policy.

The Company also has in place risk management and internal control systems to manage material risks.

Events since the end of the financial year

On the 2nd of March 2017 the Group acquired Kleding BV, a company in the Netherlands. The purchase consideration was 10 million euros (\$13.7 million) in cash and 1 million Mitula Group shares, with an additional earn out clause contingent on meeting certain revenue and EBITDA targets in FY17. Kleding runs 16 fashion vertical search sites under the Kleding.nl and Fashiola brands in 15 countries.

Likely developments and expected results of operations

The Operating and Financial Review section of this Annual Report contains information on the Group's business strategies and prospects for future financial years, and refers to likely developments in the Group's operations and the expected results of these operations in future financial years. Information on likely developments in the Group's business strategies, prospects and operations for future financial years and the expected results of those operations have not been included in this report where the Directors believe it would likely result in unreasonable prejudice to the consolidated entity. Details that could give rise to material detriment to the Group; for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has also not been included.

Environmental regulation

The Group's operations are not subject to any material environmental regulations under either Commonwealth or State legislation.

Information on directors

The following information is current as at the date of this report.

Simon Baker			Independent Non-Executive Chairman
Date of appointment	1 April 2015.		
Experience and expertise	Simon Baker was appointed Chairman of the Mitula Group on its formation in March 2015. Prior to this, Simon was a paid member of the Mitula Classified, SL Advisory Board since late 2010. Simon was former CEO and Managing Director of the ASX listed REA Group from 2001 through 2008. Simon was also director and chairman of ASX listed iProperty Group Limited from 2009 to 2012. Simon is an angel investor in several online classifieds and e-commerce companies around the world including Vivareal, Redbubble, ArtsHub, Real Estate Investar, LaEncontre, Property Portal Watch, ListGlobally, Transmit Data and CarAdvice. Simon holds a Bachelor of Science with a major in Computer Science from Monash University and a Masters of Business Administration from the Melbourne Business School.		
Other current directorships	Simon is the non-executive chairman of Real Estate Investar Group Limited (ASX: REV).		
Special responsibilities	Chairman of the Board Member of the Audit & Risk committee Member of the Remuneration and Nomination Committee		
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited	9,521,012	
	Options over ordinary shares – Mitula Group Limited	1,000,000	

Gonzalo del Pozo			Executive Director
Date of appointment	7 April 2015.		
Experience and expertise	Gonzalo was the co-founder and CEO of Mitula Classified, SL and also a member of its Advisory Board. Gonzalo is the co-founder and former CEO of Ediciones Globaliza, SL, a leading property portal operating in Spain established in 1998. Gonzalo holds a Bachelor of Science with a major in Electrical and Electronics Engineering from Suffolk University. Gonzalo is a director and Member of the Investment Committee of Onza Capital (Onza Venture Capital Investments, SCR de Regimen Común, SA) a limited liability venture capital firm entered on the official register of venture capital entities at the Spanish National Securities Market Commission. Gonzalo is a director and major shareholder in Inception Capital, SL, an investment fund with over 10 investments in internet companies.		
Special responsibilities	Chief Executive Officer		
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited	26,647,500	
	Options over ordinary shares – Mitula Group Limited	1,000,000	

Joe Hanna			Independent Non-Executive Director
Date of appointment	11 March 2015.		
Experience and expertise	Between November 2010 to October 2012, Joe consulted to the Mitula Classified, SL management team to assist in establishing a presence in key South East Asian markets and in developing product and technology strategy. Joe has extensive experience in online classifieds and search and is a founder of behavioural classifieds recommendation engine Predictive Match. Joe is co-founder and current CEO of xLabs Pty Ltd, a Melbourne based technology start up. Joe spent 8 years at Fairfax Media Limited in senior roles including: Product and Technology Director – Online Employment at CIO Advantate, and Emerging Business and Technology Manager at The Age. Joe holds a Bachelor of Business with a major in Computing from the University of Victoria.		
Other current directorships	Joe is a non-executive director of Real Estate Investar Group Limited (ASX: REV).		
Special responsibilities	Chairman of the Remuneration and Nomination Committee Member of the Audit & Risk committee		
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited	8,861,000	
	Options over ordinary shares – Mitula Group Limited	150,000	

Gonzalo Ortiz			Non-Executive Director
Date of appointment	15 April 2015.		
Experience and expertise	Gonzalo was the co-founder and Chairman of Mitula Classified, SL and also a member of its Advisory Board. Gonzalo is the co-founder and Chairman of Ediciones Globaliza, SL, a leading property portal operating in Spain established in 1998. He is also Chairman and Managing Director of Inception Capital, SL, an investment fund with over 10 investments in internet companies. Gonzalo is the Investment General Manager and Member of the Investment Committee in Onza Capital (Onza Venture Capital Investments, SCR de Regimen Común, SA) a limited liability venture capital firm entered on the official register of venture capital entities at the Spanish National Securities Market Commission. Gonzalo is co-founder of trazada.com, an online marketing company sold in 2011 to QDQ Group, part of the listed French company Pages Jaunes. Gonzalo holds a Bachelor of Sociology with a major in Market Surveys for Technological Rollouts from Madrid University.		
Special responsibilities	Member of the Remuneration and Nomination Committee		
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited	24,397,500	
	Options over ordinary shares – Mitula Group Limited	150,000	

Sol Wise			Independent Non-Executive Director
Date of appointment	11 March 2015.		
Experience and expertise	Sol spent five years from 2004 to 2010 with ASX listed REA Group as the Group Financial Controller reporting directly to the CFO. Sol is currently the CFO of Vertical Networks Group Pty Lt. Sol has a Bachelor of Business from RMIT University Melbourne and is a Certified Practicing Accountant (CPA) with more than 20 years' experience in senior financial roles.		
Special responsibilities	Chairman of the Audit and Risk Committee		
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited		40,000
	Options over ordinary shares – Mitula Group Limited		250,000

Georg Chmiel	Independent Non-Executive Director	
Date of appointment	18 January 2017.	
Experience and expertise	Georg has over 20 years of experience in high growth digital classified, media and real estate companies. Until September 2016, Georg was Managing Director and CEO of iProperty Group (formerly ASX:IPP). Prior to this, Georg was Managing Director and CEO of the LJ Hooker Group, a real estate franchisor with 700 offices across nine countries, and between 2005 and 2010 Georg was CFO and General Manager International at the REA Group Ltd (ASX:REA).	
Other current directorships	Georg is also Chief Financial Officer of iflix Ltd and Non-executive Director of Centrepont Alliance Ltd (ASX:CAF) and iCar Asia Ltd (ASX:ICQ).	
Special responsibilities	Nil	
Relevant interests in shares and options in the share capital of the Company	Ordinary shares – Mitula Group Limited	40,000

○ Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 December 2016, and the numbers of meetings attended by each director were:

Attendees	Board		Audit & Risk Committee		Remuneration & Nomination Committee	
	No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended
Simon Baker	14	14	6	6	2	2
Gonzalo del Pozo	14	14	-	-	-	-
Gonzalo Ortiz	14	14	-	-	2	2
Joe Hanna	14	14	6	6	2	2
Sol Wise	14	14	6	6	-	-
Georg Chmiel	-	-	-	-	-	-

All directors were eligible to attend all meetings of directors held, except G. Chmiel, who was not eligible to attend any of the meetings as he was appointed a director after the end of the financial year.

Introduction

This Remuneration Report for the year ended 31 December 2016 outlines the remuneration arrangements in place for the Group during that period in accordance with s. 300A of the *Corporations Act* 2001 (the ‘Act’) and its regulations. All sections contained in this report have been subject to audit as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

- 1. Individual Key Management Personnel (KMP) Disclosures
- 2. Principles of Remuneration and Strategy
- 3. Non-Executive Director Remuneration Arrangements
- 4. Executive Remuneration Arrangements
- 5. Executive Contracts
- 6. Remuneration Expenses for KMP
- 7. Current Shareholding for KMP
- 8. Other transactions
- 9. Statutory Performance Indicators
- 10. Cash remuneration earned by executives in 2016

1. Individual Key Management Personnel (KMP) Disclosures

The remuneration report details the remuneration arrangements for the directors and senior executives of the Group being the Key Management Personnel (**KMP**), defined as being those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director and includes the senior executives in the Group. The KMP during and since the year ended 31 December 2016 were as follows:

Non Executive Directors		Term as KMP
Simon Baker	Non-executive Chairman	Full financial year
Sol Wise	Non-executive Director	Full financial year
Gonzalo Ortiz	Non-executive Director	Full financial year
Joe Hanna	Non-executive Director	Full financial year
Georg Chmiel	Non-executive Director	Appointed 18 January 2017

Executive Directors		Term as KMP
Gonzalo del Pozo	Managing Director / Chief Executive Officer	Full financial year

Senior Executives		Term as KMP
Marcelo Badimón	Chief Operating Officer	Full financial year
Ricardo Gómez de Olea	Chief Financial Officer	Full financial year

Except as noted above, there have been no changes to KMP after the reporting date and before the date of this report.

2. Principles of Remuneration and Strategy

2.1 Remuneration and Nomination Committee

In accordance with the Remuneration and Nomination Committee Charter (**‘the Charter’**), the Remuneration and Nomination Committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors (**NEDs**) and executives.

The Board approves the remuneration arrangements for executives having regard to the recommendations made by the Remuneration and Nomination Committee including any Short Term Incentive (**STI**) or Long Term Incentive (**LTI**) arrangements. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels.

The Remuneration and Nomination Committee meets periodically during the year. During the year, some Remuneration and Nomination Committee matters were dealt with in meetings of Directors, (with executive personnel absent where necessary). Executives are not present at meetings of the Committee except by invitation.

The Remuneration and Nomination Committee is made up of members of the board each of which are NEDs, for the year ended 31 December 2016:

- ▶ Mr Joe Hanna acted as Chair of the Committee; and
- ▶ Messrs Simon Baker and Gonzalo Ortiz served as members of the Committee.

Further information on the Remuneration and Nomination Committee’s role, responsibilities and membership is located at: <http://www.mitulagroup.com/corporate-governance/>

The Remuneration & Nomination Committee of the Board assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team and aligning the interests of the executives with those of the shareholders.

2.2 Use of remuneration advisors

The Remuneration and Nomination Committee has not engaged any external remuneration advisers during the financial year to provide remuneration recommendations in relation to any of the KMP, however the Remuneration and Nomination Committee approved the engagement of PricewaterhouseCoopers (**PWC**) to provide remuneration recommendations regarding the remuneration mix and, in particular, to advise on the design, structure and implementation of equity incentive arrangements for employees and KMP generally.

Both PWC and the Committee are satisfied the advice received from PWC is free from undue influence from the KMP to whom the remuneration recommendations apply. In any event the advice from PWC was used as guidance and the guidance was considered, together with a number of other factors when making remuneration decisions.

The fees paid to PWC for this work were \$47,541.

2.3 Clawback of remuneration

In the event of serious misconduct or a material misstatement in the Mitula Group’s financial statements, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

2.4 Share trading policy

The Mitula Group securities trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in Mitula Group securities while in possession of material non-public information relevant to the Group.

2.5 Remuneration Strategy

Mitula Group’s remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, key objectives of the Group's reward framework are to ensure that remuneration practices:

- ▶ are aligned to the Group's business strategy,
- ▶ offer competitive remuneration benchmarked against the external market, and
- ▶ provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders.

Where relevant, the remuneration framework incorporates at risk components through STI and LTI arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders.

The Board assumes full responsibility for compensation policies and packages applicable to directors and senior executives of the Company. The broad compensation policy is to ensure the compensation package appropriately reflects the person's duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments based on the achievement of specific goals related to the performance of the individual and the Company (as determined by the directors). Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

Components of total compensation for executives are 'at risk' (variable compensation) and dependent on meeting pre-determined performance benchmarks including Key Performance Indicators (KPIs). The inclusion of appropriate challenging performance hurdles in relation to variable compensation is designed to align employee performance with the creation of shareholder value and wealth. KPIs are agreed and set each year for KMP with the specific objective of generating shareholder wealth.

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The structure of executive remuneration in 2016 consisted of the following:

- ▶ **Fixed Remuneration**
Base Salary
- ▶ **Variable Remuneration**
STI Plan based 100 % on the Company's financial performance.
- ▶ **Proposed LTI Plan**
In October 2016 the Board resolved to introduce a Long Term Incentive (**LTI**) plan for the Group primarily as a retention strategy for key employees but also to focus executives and senior management on the achievement of sustainable long-term value creation and success of the Group (including appropriate management of business risks).

The proposed LTI plan was not operational in 2016 and, as at the date of this Report, no awards have been made under the proposed LTI plan. However, as the broad design features of the LTI plan have been approved by the Board in principle and because continued employment with the Group from July 2016 will count towards duration of service for the purpose of determining eligibility to an LTI award, an amount of \$240,717 has been recognised in the 2016 financial year by way of share based payment expense in respect of awards to be issued in 2017 under the LTI plan.

Awards under the LTI plan will be issued by way of performance rights. The key terms of the proposed LTI Plan are as follows:

Eligibility	Executive level and selected senior management employees only.
How is it paid?	Awards under the LTI will be made by way of award of performance rights. Each performance right will entitle the holder to receive one ordinary share in the capital of Mitula Group upon vesting. No exercise price will be payable on vesting.
How much can executives earn?	LTI awards to be granted to senior management will have a maximum face value of 16.66 % of the relevant employee's base salary annually. For C level employees, other than the CEO, the maximum face value of the LTI award will be 25 % of annual base salary. The maximum annual face value of the award to the CEO is proposed to be 50 % of annual base salary.
How is performance measured?	<p>The LTI is predominantly a retention strategy however there are certain basic performance measures applicable.</p> <p>For senior management, LTI awards will vest only upon satisfaction of the following two conditions:</p> <ul style="list-style-type: none">▶ the relevant employee completes 2 or 3 years of employment with the Group (the required term of employment will depend on the employee) following the date of issue (or any earlier date mandated by the Board); and▶ the 3 month VWAP at the end of the period above is greater than the 3 month VWAP immediately prior to the date of issue. <p>In addition, awards to executives will also be subject to achievement of minimum annual revenue and EBITDA targets weighted 70 % to revenue and 30 % to EBITDA. These performance measures will be tested annually to determine the number of performance rights which may vest.</p>
When is it paid	The LTI award is determined after the end of the financial year following a review of performance over the year against the LTI performance measures by the MD (and in the case of the MD, by the Board). The Board approves the final STI award based on this assessment of performance.
Termination of employment	<p>It is proposed that if a participating employee resigns or is terminated with cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board.</p> <p>The treatment of vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.</p>

Further details of the 2017 LTI Plan as summarized above will be provided in the 2017 Annual Report once the LTI Plan has been implemented.

- ▶ **Mitula Group Global Employee Share Plan**
In October 2016 the Board provided approval to implement the Mitula Group Employee Share Plan (**ESPP**) which is to be the Group's all-employee share plan, under which all employees with at least 1 years' service will be entitled to contribute 2.5 % of their base remuneration to acquire shares in Mitula Group Limited. For each share purchase, the participant receives a right to acquire a "matched share", which vests provided the participant remains employed by the Group on the first anniversary of the start of the relevant plan year. All executives will be eligible to participate in the Global Employee Share Plan.

The ESPP was not formally implemented in 2016 and accordingly no shares have been issued under the ESPP in 2016. However, the Board has determined that the Plan will have retroactive effect (from 1 July 2016) and accordingly an amount of \$35,743 has been recognised in the 2016 financial year by way of a share based payment expense in respect of the matched shares to be issued in 2017 in respect of H2 of the 2016 year.

3. Non-Executive Director Remuneration Arrangements

The Group's NED fee policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity. NEDs receive fees only and do not participate in any performance-related incentive awards. NED fees reflect the demands and responsibilities of the directors.

The Remuneration and Nominations Committee reviews NED remuneration annually against comparable companies.

The remuneration of non-executive directors consists of base director fees and committee fees (where applicable). Under the current policy NEDs are not entitled to receive performance related remuneration. Remuneration levels are to be reviewed by the Board annually.

NED fees are determined within an aggregate NED fee pool limit, which is periodically approved by shareholders. The maximum aggregate amount that may be paid to NEDs for their services is \$400,000 during any financial year.

The current approved fee structure is set out below:

Fees	Chair	Member
	\$	\$
Board	80,000	50,000
Audit and Risk Committee	10,000	-
Remuneration and Nomination Committee	10,000	-

In addition, NEDs may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. They do not receive retirement benefits.

Details of the remuneration provided to Non-Executive Directors for the 2016 year is detailed in the table 'Remuneration of Key Management Personnel' in section 6.

4. Executive Remuneration Arrangements

The Group aims to reward executives with a level and mix of remuneration that is commensurate with their position and responsibilities within the Group and is aligned with market practice.

Elements of Remuneration

During the 2016 Financial Year executives were remunerated based on fixed remuneration as well as variable remuneration consisting of short term incentive opportunities. Variable or performance-linked compensation comprises cash bonus and/or share based payments.

Fixed remuneration

A competitive base salary is paid in order to attract and retain high-quality and experienced executives, and to provide appropriate remuneration for these important roles in the Group.

Base salary is broadly aligned with salaries for comparable roles in companies of similar global complexity, size, reach and industry, and reflects the relevant executive's responsibilities, location, skills, performance, qualifications and experience. Base salary is not subject to separate performance conditions and is paid in cash.

Executive contracts do not include any guaranteed base pay increases nor do they include provision for additional pension/superannuation payments or other benefits (such as additional healthcare or insurances).

Fixed remuneration is reviewed at least annually by the Remuneration and Nomination Committee and the process consists of a review of the Group's performance, relevant comparative remuneration in the market, general economic conditions and, where appropriate, external advice on policies and practices. Employees receive their fixed remuneration in cash.

Variable or performance linked compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares) based on the achievement of specific goals related to (i) performance against individual KPI's and/or (ii) the performance of the Company as a whole as determined by the Board based on a range of factors, both financial and non-financial. These factors include traditional financial considerations such as operating performance and EBITDA but may also include industry-specific factors.

Key Performance Indicators (KPIs) are individually tailored by the Board, based on recommendations and input from the Remuneration & Nomination Committee in advance for each executive each year. These KPIs reflect an assessment of how that executive can fulfil his or her particular responsibilities in a way that best contributes to Group's performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Group.

The Remuneration & Nomination Committee makes a recommendation annually to the Board in respect of incentive compensation for employees and executives. The Board at its sole discretion determines the total amount of variable compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

Short Term Incentives (STI)

The purpose of STI arrangements is to focus executive and management employee's efforts on those performance measures and outcomes that are priorities for the Group for the relevant financial year, and to motivate them to strive to achieve stretch performance objectives. The performance measures for each year are chosen on the basis that they are expected to have a significant short- and long-term impact on the success of the Group.

A scorecard of measures is set at the commencement of each financial year. The measures and their relative weightings are chosen by the Committee, in their discretion, in order to appropriately drive overall performance for the coming year. Specified financial measures will constitute the largest weighting. The target is determined for each performance measure at a level that will motivate the executive team to achieve an appropriately stretching annual performance outcome and that will contribute to the longer-term success of the Group and shareholder wealth. The target for each financial measure is derived from the annual budget as approved by the Board for the relevant financial year.

At the conclusion of each financial year, achievement against each measure is assessed by the Remuneration Committee and the Board, and an STI award determined. If performance is below the threshold level for any measure, no STI will be provided in respect of that portion of the STI opportunity.

Initially, to ensure alignment with the Company's forecasts contained in its Prospectus, STI for executives were based on achievement of revenue and EBITDA targets for the 12 month period ending 30 June 2016. However, as the Company reports on a calendar financial year basis, setting KPIs based on a 30 June financial year creates a misalignment which is administratively cumbersome and considered to be inappropriate given that the Group reports on a calendar financial year basis.

Accordingly, the Board adopted a special "one-off" executive STI program for the 6-month period ending 31 December 2016 so as to allow the Group's STI plan to operate on a calendar year basis prospectively from 1 January 2017.

Details of both these STI arrangements are set out below.

Variable Remuneration – Short Term Incentive (STI) for period 1 July 2015 to 30 June 2016

For the 12 month period ended 30 June 2016 only the three executives referred to in the table at section 1 of this remuneration report above participated in the Group's STI plan. Under this STI plan, all three executives were given the opportunity to earn an annual incentive award to be delivered in cash. Details are as follows:

Eligibility	Executive level employees only								
How is it paid?	100 % of any STI award is paid in cash after assessment of annual performance.								
How much can executives earn?	Executives have a maximum STI opportunity of 30 % of fixed remuneration. STI is awarded for achieving the objectives set at the commencement of the performance period.								
How is performance measured?	<p>The STI performance measures were chosen as they reflect the core drivers of short term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and customers.</p> <p>The relevant key performance indicators (KPIs) covered financial performance. For each KPI, a target and stretch objective is set. A summary of the measures and weightings are set out in the table below:</p> <table><tr><th>Target</th><th>Weighting</th></tr><tr><td>Revenue</td><td>50 %</td></tr><tr><td>EBITDA</td><td>30 %</td></tr><tr><td>EBITDA Margin</td><td>20 %</td></tr></table>	Target	Weighting	Revenue	50 %	EBITDA	30 %	EBITDA Margin	20 %
Target	Weighting								
Revenue	50 %								
EBITDA	30 %								
EBITDA Margin	20 %								
When is it paid	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the MD (and in the case of the MD, by the Board). The Board approves the final STI award for all executives based on this assessment of performance.								

Performance outcomes for – Short Term Incentive (STI) for period 1 July 2015 to 30 June 2016

The Board and the Remuneration Committee reviewed the Group's performance for the 12 months to 30 June 2016 for the purpose of determining the STI outcome for each of the executives.

	Weighting for FY16	Performance for FY16	Percentage Outcome (of target STI bonus)	Final achievement of STI
Revenue Target	50 %	Achieved 95.8 % of Target	75 %	37.5 %
EBITDA Target	30 %	Achieved 96.6 % of Target	75 %	22.5 %
EBITDA Margin Target	20 %	Achieved 100.8 % of Target	100 %	20 %

In addition, the Board approved special one-off integration bonuses for the period ending 30 June 2016 for outstanding performance by the executives in connection with the successful integration of businesses acquired by the Group. Details of the STI and integration bonus payments to the executives for the 12 month period ending 30 June 2016 can be seen in section "Actual remuneration earned by executives in 2016".

Variable Remuneration – Short Term Incentive (STI) for period 1 July 2016 to 31 December 2016

As noted above, in order to bring the STI plan into line with the Group's financial reporting year, the Board implemented a special STI plan for the 6 month period ending 31 December 2016. Under this STI plan all executives and also senior management employees were given the opportunity to earn an annual incentive award to be delivered in shares. Details are as follows:

Eligibility	Executives and senior management only						
How is it paid?	100 % of any STI award is delivered in Mitula Group Shares after assessment of performance for the 6-month period.						
How much can executives earn?	<p>Executives have a maximum STI opportunity of 30 % of fixed remuneration for the 6 month period. For management employees the quantum was based initially on seniority and position with the quantum set by the Managing Director (within the total allocations approved by the Board).</p> <p>STI is awarded for achieving at least 80 % of the objectives set at the commencement of the performance period.</p>						
How is performance measured?	<p>The STI performance measures were chosen as they reflect the core drivers of short term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and customers.</p> <p>The STI performance targets and weightings were identical across all executives and senior management employees.</p> <p>The relevant key performance indicators (KPIs) covered financial performance. For each KPI, a target and stretch objective is set. A summary of the measures and weightings are set out in the table below:</p> <table><tr><th>Target</th><th>Weighting</th></tr><tr><td>Revenue</td><td>70 %</td></tr><tr><td>EBITDA</td><td>30 %</td></tr></table>	Target	Weighting	Revenue	70 %	EBITDA	30 %
Target	Weighting						
Revenue	70 %						
EBITDA	30 %						
When is it paid	<p>The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the MD (and in the case of the MD, by the Board). The Board approves the final STI award based on this assessment of performance.</p> <p>The award is to be delivered in Mitula Group shares rather than cash. The number of shares to be delivered is determined by dividing the total amount of the award (converted from Euro to dollars using the prevailing rate as at 31 December 2016) and then divided by the 3 month VWAP of Mitula Group shares for the quarter ended 31 December 2016.</p> <p>The shares are issued following the release of the Group's audited results for the 2016 year.</p>						

Performance outcomes for – Short Term Incentive (STI) for period 1 July 2016 to 31 December 2016

The Board and the Remuneration Committee reviewed the Group's performance for the 6 month period to 31 December 2016 for the purposes of determining the STI outcome for each of the executives.

	Weighting for STI 2H16	Performance for STI 2H16	Final achievement of STI 2H16
Revenue Target	70 %	Achieved 93.8 % of Target	65.7 %
EBITDA Target	30 %	Achieved 90.1 % of Target	27 %

Details of the STI bonus accrual to be provided in shares to the executives and senior management for the 6 month period ending 31 December 2016 are as follows:

	STI 2H 2016
	\$
Gonzalo del Pozo	50,805
Marcelo Badimón	33,237
Ricardo Gomez de Olea	18,992
Senior management Executives	76,041
TOTAL	179,075

5. Executive Contracts

Remuneration arrangements for executives are formalised in executive services agreements. These agreements were entered into upon the establishment of the Group with key executives and details of the contracts are summarized below.

Chief Executive Officer

The services of the CEO, Gonzalo del Pozo, are provided by agreement with Tadium Invest, SL (a related party¹) under the following key terms:

Term	Contract
Effective Date	17 April 2015
Initial Term	3 years from Effective Date
Renewal	Unless earlier terminated, the agreement will automatically be renewed for successive one year terms.
Annual Total Fixed Remuneration	\$402,115AUD (€270,000)
Annual Bonus/STI	Up to \$120,715 AUD (€81,000) on achievement of certain key performance indicators (30 % of fixed remuneration)
Termination by Either Party	Either party may terminate the executive's employment without cause with six (6) months notice or payment in lieu of notice. Otherwise, the Group may terminate an executive's employment for cause with fifteen (15) days notice in which case they are entitled to unpaid Fixed Remuneration and statutory amounts.
Restrictions	The agreement includes certain restrictions on being associated with competitive businesses or soliciting clients or employees of the Group for a period up to twelve months after termination.

¹ Tadium Invest, SL is an entity associated with Gonzalo del Pozo, Gonzalo Ortiz, and Marcelo Badimón, who are directors and shareholders. Ricardo Gómez de Olea is also a shareholder.

Chief Operations Officer

The services of the COO, Marcelo Badimón, are provided by agreement with Tadium Invest, SL under the following key terms:

Term	Contract
Effective Date	17 April 2015
Initial Term	3 years from Effective Date
Renewal	Unless earlier terminated, the agreement will automatically be renewed for successive one year terms.
Annual Total Fixed Remuneration	\$260,642 AUD (€175,000)
Annual Bonus/STI	Up to \$78,241 AUD (€52,500) on achievement of certain key performance indicators (30 % of fixed remuneration)
Termination by Either Party	Either party may terminate the executive's employment without cause with six (6) months notice or payment in lieu of notice. Otherwise, the Group may terminate an executive's employment for cause with fifteen (15) days notice in which case they are entitled to unpaid Fixed Remuneration and statutory amounts.
Restrictions	The agreement includes certain restrictions on being associated with competitive businesses or soliciting clients or employees of the Group for a period up to twelve months after termination.

Chief Financial Officer

The services of the CFO, Ricardo Gómez de Olea, are also provided by agreement with Tadium Invest SL under the following key terms:

Term	Contract
Effective Date	17 April 2015
Initial Term	3 years from Effective Date
Renewal	Unless earlier terminated, the agreement will automatically be renewed for successive one year terms.
Annual Total Fixed Remuneration	\$148,944 AUD (€100,000)
Annual Bonus/STI	Up to \$44,709 AUD (€30,000) on achievement of certain key performance indicators (30 % of fixed remuneration)
Termination by Either Party	Either party may terminate the executive's employment without cause with six (6) months notice or payment in lieu of notice. Otherwise, the Group may terminate an executive's employment for cause with fifteen (15) days notice in which case they are entitled to unpaid Fixed Remuneration and statutory amounts.
Restrictions	The agreement includes certain restrictions on being associated with competitive businesses or soliciting clients or employees of the Group for a period up to twelve months after termination.

6. Remuneration Expenses for KMP

2016	Date of appointment	Fixed remuneration	Variable remuneration						Total	Proportion of remuneration		
			Cash salary ¹	Cash STI ¹	% Target	Integration Bonus Cash ¹	Total Cash Bonus	Accrual for ESPP, STI and LTI		Share options ²	Performance related	Fixed
		\$	\$	\$	\$				\$	\$		
Non Executive Directors												
Simon Baker	01/04/2015	80,000							205,000	285,000	72 %	28 %
Sol Wise	11/03/2015	60,000							51,250	111,250	46 %	54 %
Gonzalo Ortiz	15/04/2015	50,000							30,750	80,750	38 %	62 %
Joe Hanna	11/03/2015	60,000							30,750	90,750	34 %	66 %
Executive Director												
Gonzalo del Pozo	17/04/2015	402,115	59,407	80 %		22,642	82,049	157,075	205,000	846,239	52 %	48 %
Executives												
Marcelo Badimón	17/04/2015	260,642	38,505	80 %		14,675	53,180	69,316		383,138	32 %	68 %
Ricardo Gómez de Olea	17/04/2015	148,944	22,003	80 %		8,386	30,389	39,609	51,250	270,191	45 %	55 %
Total		1,061,701	119,915			45,703	165,617	266,000	574,000	2,067,318	51 %	49 %

2015 All salaries were effective from 01/04/2015	Date of appointment	Fixed remuneration	Variable remuneration						Total	Proportion of remuneration		
		Cash salary ¹	Cash STI ¹	% Target	Accrued STI ¹	% Target	Super-annuation	Share options ²		Performance related	Fixed	
		\$	\$		\$		\$	\$				
Non Executive Directors												
Simon Baker	01/04/2015	60,000							205,000	265,000	77 %	23 %
Sol Wise	11/03/2015	45,000						4,275	51,250	100,525	51 %	49 %
Gonzalo Ortiz	15/04/2015	37,500							30,750	68,250	45 %	55 %
Joe Hanna	11/03/2015	45,000							30,750	75,750	41 %	59 %
Executive Director												
Gonzalo del Pozo	17/04/2015	279,909	23,740	100 %		31,159	50 %		205,000	539,808	48 %	52 %
Executives												
Marcelo Badimón	17/04/2015	181,431	15,387	100 %		20,196	50 %			217,014	16 %	84 %
Ricardo Gómez de Olea	17/04/2015	103,678	8,793	100 %		11,540	50 %		51,250	175,261	41 %	59 %
Total		752,518	47,920			62,895		4,275	574,000	1,441,608	48 %	52 %

¹ Amounts are in AUD, converted from EUR at closing month rate according to Group's accounting policy. Short-term benefits per Corporations Regulation 2M.3.03(1) Item 16

² Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11

7. Current Shareholding for KMP

Shareholdings for KMP	Balance at 1 January 2016	Granted as remuneration	Purchased / Allotted	On exercise of options / performance rights	Sold	Balance at 31 December 2016
Non-Executive Directors						
Simon Baker	9,521,012	-	-	-	-	9,521,012
Sol Wise	40,000	-	-	-	-	40,000
Gonzalo Ortiz	32,897,500	-	-	-	(8,500,000)	24,397,500
Joe Hanna	9,861,000	-		(1,000,000)		8,861,000
Georg Chmiel	-	-	40,000	-	-	40,000
Executive Directors						
Gonzalo del Pozo	35,147,500	-	-	-	(8,500,000)	26,647,500
Executives						
Marcelo Badimón	35,147,500	-	-	-	(8,500,000)	26,647,500
Ricardo Gómez de Olea	3,315,000	-	-	-	(600,000)	2,715,000
	125,929,512	-	40,000	-	(27,100,000)	98,869,512

In addition to the shareholding described above, Gonzalo del Pozo, Marcelo Badimón, Simon Baker and Gonzalo Ortiz also hold indirect interests in shares through entities in which they are shareholders, namely Inception Capital. Allshares were sold on March 2016.

8. Other Transactions

8.1 Grants, Modifications and Exercise of Options and Rights Over Equity Instruments Granted as Compensation

2016:

There were no performance rights or options granted as compensation during the financial year to any other person in the Directors' and KMP's compensation table. There were no alterations and modifications to existing terms and conditions during the year ended 31 December 2016.

2015:

In connection with the Group's IPO, the current directors (other than Georg Chmiel) each received a single grant of options that vested on 1 July 2016 and expire on 30 June 2018, for a total of 2,550,000 option shares.

The Group also granted 250,000 options to Ricardo Gomez de Olea (the Chief Financial Officer). These options were granted in recognition of services to the Group, including services provided in connection with the IPO and the acquisition of Lokku. All options were issued in the numbers and on the terms described below.

	Share options	
	Number	Share-based payment expense
Non Executive Directors		
Simon Baker	1,000,000	205,000
Sol Wise	250,000	51,250
Gonzalo Ortiz	150,000	30,750
Joe Hanna	150,000	30,750
Executive Directors		
Gonzalo del Pozo	1,000,000	205,000
Executives		
Ricardo Gómez de Olea	250,000	51,250
	2,800,000	574,000

Grant of Options	The options entitle the holder to acquire 1 newly issued share in the capital of Mitula Group for each option held.
Grant price	The options were granted for nil consideration.
Exercise price	\$0.40 per option.
Exercise of Option	The options are exercisable from 1 July 2016 and lapse on 30 June 2018.
Rights associated with Options	Options do not carry any dividend or voting rights prior to exercise.
Voluntary escrow	Any shares issued on exercise of the options will not be subject to voluntary escrow arrangements.

The amounts disclosed have been accounted for under AASB 2 Share-based Payments. Refer to note 20 for additional disclosure on how these amounts have been valued.

Shares Issued on Exercise of Options

Since the end of the financial year up to the date of this report no options have been exercised nor have any shares been issued to any of the KMP.

8.2 Other services rendered in the period

No other services were provided by KMP.

9. Statutory Performance Indicators

The Group aims to align its executive remuneration strategy to its strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance in 2016 as required by the Corporations Act 2001. Comparatives for the years 2012-2014 have not been included due to both the Group being newly formed during 2015 (so figures prior to this date are not comparable), and because remuneration had not been linked to these measures in previous years.

These are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. In considering the Company's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the progress on the Company's products and services. As a consequence,

there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

\$'000	2016	2015	2014	2013	2012
Closing Share Price as at 31 December	0.87	0.99	-	-	-
Revenue	28,023	20,568	N/A	N/A	N/A
EBITDA	11,931	7,545	N/A	N/A	N/A
Basic EPS	3.89	1.37	-	-	-
Total dividends (cents per share)	-	-	-	-	-

10. Cash remuneration earned by executives in 2016

The cash remuneration earned by executives in 2016 is set out below. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to executives for performance in 2016. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards on pages 36 and 37 of this report, as those details include the values of performance rights and share rights that have been awarded, but which may or may not vest as well as awards that have been approved but not yet issued (see section 4 above).

	Fixed Remuneration	Termination Payments	STI	Integration Bonus	Total actual remuneration earned
	\$	\$	\$	\$	\$
Gonzalo del Pozo	402,115	-	90,566	22,642	515,323
Marcelo Badimón	260,642	-	58,700	14,675	334,017
Ricardo Gómez de Olea	148,944	-	33,543	8,386	190,873

Corporate Governance Statement

Mitula Group Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Mitula Group Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) (**Principles**) published by the ASX Corporate Governance Council. Mitula Group Pty Ltd is fully compliant with the Principles.

The 2016 corporate governance statement is dated as at 8 March 2017 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the board on 8 March 2017. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: <http://www.mitulagroup.com/corporate-governance/>.

Shares under option

1. Unissued ordinary shares

Unissued ordinary shares of Mitula Group Limited under option at the date of this report are as follows:

Date options granted	Vest date	Expiry date	Exercise price of Options	Number of Shares under option
30 June 2015	1 July 2016	1 July 2018	\$ 0.40 each	2,800,000
				2,800,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. These options were granted as remuneration to the Directors and other senior management as part of the Company's IPO process in 2015. No options were granted to the Directors or any other officers of the Company since the end of the financial year.

2. Shares issued on the exercise of options

The following ordinary shares of Mitula Group Limited were issued during the year ended 31 December 2015 on the exercise of options granted to the sellers of Lokku. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Exercise price of Shares	Number of shares issued
8 May 2015	\$ 0.60	3,777,677
		3,777,677

Insurance of officers and indemnities

Indemnification

The Company has agreed to indemnify the Directors of the Company against liability arising as a result of a Director acting as a Director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors' and Officers' Liability insurance that extends to former directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a director ceases to hold any position in the Company.

Insurance Premiums

Since the end of the financial year, the Company has paid a premium of \$31,285 for Directors' and Officers' Liability insurance for current and former directors and officers, including executive officers of the Company. The Directors have not contributed to the payment of the policy premium.

The Directors' and Officers' Liability insurance policy covers the directors and officers of the Company against loss arising from any claims made against them during the period of insurance (including company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as directors or officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the Company under S. 237 of the Corporations Act.

○ **Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Company and/or the Group are important.

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor’s independence requirements of the Corporations Act 2001 for the following reasons:

- ▶ all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- ▶ none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PricewaterhouseCoopers Australia

	31 December 2016	31 December 2015
	\$	\$
<i>Other assurance services:</i>		
Due diligence services	-	70,000
Total remuneration for other assurance services	-	70,000
<i>Taxation services:</i>		
Tax consulting services and advice in relation to IPO	-	82,500
Total remuneration for taxation services	-	82,500
<i>Other services:</i>		
Investigating accountant services in relation to the IPO	-	320,000
Total remuneration for other services	-	320,000
Total non-audit services remuneration of PricewaterhouseCoopers Australia	-	472,500

Network firms of PricewaterhouseCoopers Australia

The non-audit services provided by network firms of PricewaterhouseCoopers Australia during 2016 and 2015 are as follows.

	31 December 2016	31 December 2015
	\$	\$
Due diligence services	107,945	-
Tax consulting services	28,018	-
Consulting services	47,541	-
Total remuneration for other services of network firms of PricewaterhouseCoopers Australia	183,504	-

○ **Auditor’s Independence Declaration**

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 45.

○ **Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the Directors’ Report. Amounts in the Directors’ Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The Directors’ Report is made in accordance with a resolution of Directors.



Simon Baker
Chairman

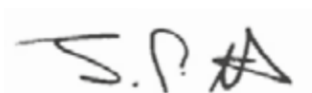
Dated this 8 March 2017

Auditor's Independence Declaration

As lead auditor for the audit of Mitula Group Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mitula Group Limited and the entities it controlled during the period.



Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
8 March 2017

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Consolidated Statement of Comprehensive Income

2.1

For the year ended 31 December 2016

	Notes	31 December 2016	31 December 2015
		\$	\$
Revenue	6	28,022,988	20,568,035
Cost of sales	6	(3,515,307)	(2,510,673)
Gross profit		24,507,681	18,057,362
Employee benefit expenses	7	(8,139,118)	(5,793,567)
Operational expenses		(1,513,075)	(1,170,560)
Technology expenses		(1,004,294)	(823,066)
Office expenses		(841,811)	(671,866)
Corporate expenses		(1,077,977)	(2,053,314)
Depreciation and amortisation	7	(1,974,293)	(1,103,498)
Net finance Income / (Expense)	7	316,651	(1,771,912)
Net foreign exchange gains/(losses)	7	208,483	(283,018)
Profit before tax		10,482,247	4,386,561
Income tax	8	(2,308,524)	(1,797,938)
Profit for the year		8,173,723	2,588,623
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(554,725)	140,173
Other comprehensive income for the period, net of tax		(554,725)	140,173
Total comprehensive income for the period		7,618,998	2,728,796
Total comprehensive income attributable to owners		7,618,998	2,728,796
Earnings per share for profit attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share	22	3.89	1.37
Diluted earnings per share	22	3.84	1.36

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

2.2

As at 31 December 2016

	Notes	31 December 2016	31 December 2015
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	9	20,462,205	21,002,933
Trade and other receivables	10	5,468,174	3,884,700
Current tax assets		210,387	2,142
Other current assets		15,670	77,650
Total current assets		26,156,436	24,967,425
Non-current assets			
Property, plant and equipment	11	899,577	729,026
Goodwill	12, 16	18,952,676	5,086,057
Other intangible assets	12, 16	6,261,162	5,684,369
Other non-current financial assets	13	547,956	166,526
Deferred tax asset	15	201,780	4,409
Total non-current assets		26,863,151	11,670,387
Total assets		53,019,587	36,637,812

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

	Notes	31 December 2016	31 December 2015
		\$	\$
Liabilities			
Current liabilities			
Trade and other payables	14	1,478,790	1,527,318
Current tax liabilities		500,506	692,597
Total current liabilities		1,979,296	2,219,915
Non-current liabilities			
Other liabilities	13	351,739	17
Deferred tax liability	15	1,795,366	1,685,624
Total non-current liabilities		2,147,105	1,685,641
Total liabilities		4,126,401	3,905,556
Net assets		48,893,186	32,732,256
Equity			
Contributed equity	18	32,136,903	27,230,212
Other equity	16.3	2,605,706	-
Reserves	19	1,603,535	574,000
Retained earnings		12,913,992	4,740,269
Foreign currency translation reserve		(366,950)	187,775
Total equity		48,893,186	32,732,256

Consolidated Statement of Changes in Equity

2.3

For the year ended 31 December 2016

Consolidated entity	Notes	Contributed equity	Other Equity	Reserves	Retained earnings	Translation differences	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2015		5,121	-	526,417	4,935,897	47,602	5,515,037
Profit for the period		-	-	-	2,588,623	-	2,588,623
Other comprehensive income		-	-	-	-	140,173	140,173
Total comprehensive income for the period		-	-	-	2,588,623	140,173	2,728,796
Transactions with owners in their capacity as owners:							
Capital reorganization	18	(5,121)	-	(526,417)	105,955	-	(425,583)
Issue of new shares	18	28,553,247	-	-	-	-	28,553,247
Share issue transaction costs	18	(1,323,035)	-	-	-	-	(1,323,035)
Dividends		-	-	-	(2,896,072)	-	(2,896,072)
Share-based payments	20	-	-	574,000	-	-	574,000
Other movements in equity		-	-	-	5,866	-	5,866
Balance at 31 December 2015		27,230,212	-	574,000	4,740,269	187,775	32,732,256
Profit for the period		-	-	-	8,173,723	-	8,173,723
Other comprehensive income		-	-	-	-	(554,725)	(554,725)
Total comprehensive income for the period		-	-	-	8,173,723	(554,725)	7,618,998
Transactions with owners in their capacity as owners:							
Issue of new shares	18	4,906,691	-	-	-	-	4,906,691
Share-based payments	19, 20	-	-	1,029,535	-	-	1,029,535
Shares granted on business acquisition yet to be issued	16.3	-	2,605,706	-	-	-	2,605,706
Balance at 31 December 2016		32,136,903	2,605,706	1,603,535	12,913,992	(366,950)	48,893,186

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

2.4

As at 31 December 2016

	Notes	31 December 2016	31 December 2015
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and service tax)		27,621,295	20,352,336
Payments to suppliers and employees (inclusive of goods and service tax)		(16,609,155)	(11,555,775)
		11,012,140	8,796,561
Payment for IPO transaction costs		-	(1,246,449)
Cost associated with acquisition of subsidiary		(128,251)	(177,939)
Income tax paid		(2,303,323)	(2,672,352)
Interest received		346,144	178,088
Net cash flows from operating activities	28	8,926,711	4,877,909
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	16	(6,915,264)	(8,894,059)
Payments for other financial assets	13	(29,691)	(165,064)
Payments for property, plant and equipment	11	(426,640)	(653,848)
Payments for other intangibles	12	(197,554)	(108,605)
Repayment of loans by related parties	26	-	521,673
Proceeds from sale of available-for-sale financial assets		-	380,043
Net cash flows from investing activities		(7,569,149)	(8,919,860)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		-	25,066,618
Proceeds from borrowings	16.3	3,300,000	-
Payment for IPO transaction costs - Equity		-	(1,323,035)
Dividends paid	21	-	(2,896,072)
Payment of borrowings	16	(5,168,797)	-
Interest paid		(29,493)	-
Net cash flows from financing activities		(1,898,290)	20,847,511
Net increase in cash and cash equivalents		(540,728)	16,805,560
Cash and cash equivalents at the beginning of the financial year	9	21,002,933	4,197,373
Cash and cash equivalents at end of the financial year	9	20,462,205	21,002,933

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Mitula Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Mitula Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention except for, financial instruments measured at fair value through profit or loss.

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

1.1 Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for year ended 31 December 2016 and have not yet been applied in the consolidated financial statements:

Title of Standard	Summary and impact on Group's financial statements	Application date of the standard	Application date for Group for financial year ending
AASB 9 Financial Instruments	<p>AASB 9 Financial Instruments replaces AASB 139 and addresses and classification, measurement and derecognition of financial assets and liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness, treatment of hedging costs and risk components that can be hedged.</p> <p>AASB 9 introduces a new expected loss model impairment model that will require entities to account for expected credit losses at the time of recognising the asset. The Group does not expect the adoption of the new standard to have a material impact on its classification and measurement of the financial assets and liabilities or its results on adoption of the new impairment model.</p> <p>The new standard will result in extended disclosures in the financial statements. The Group has decided not to early adopt AASB 9.</p>	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	<p>AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:</p> <ol style="list-style-type: none">1. identify contracts with customers2. identify the separate performance obligations3. determine the transaction price of the contract4. allocate the transaction price to each of the separate performance obligations, and5. recognise the revenue as each performance obligation is satisfied. <p>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. The Group is assessing the impact of the new standard on its revenue recognition policy.</p>	1 January 2018	30 June 2019

Title of Standard	Summary and impact on Group's financial statements	Application date of the standard	Application date for Group for financial year ending
AASB 16 Leases	<p>AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p> <p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$285,709. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.</p> <p>Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.</p> <p>Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.</p>	1 January 2019	30 June 2019

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of Mitula Group Limited and its subsidiaries.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker has been identified as the CEO that makes strategic decisions. The business is being monitored on an operating gross margin (revenues less cost of sales) basis distinguishing by geography (EMEA, AMERICAS and APAC). Given the nature of the services rendered by the Group, consisting of rendering vertical search engine for classifieds in internet services, it is not possible to separate assets and liabilities by client nor allocate operating or financial results and taxes, following this criteria.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity is established ('the functional currency'). The Group operates in several functional currencies, mainly Euro. The consolidated financial statements have been presented in Australian dollars, which is the Company's presentation and functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distributions

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- ▶ the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- ▶ by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- ▶ the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- ▶ the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The main sources of the Group’s revenue are:

- ▶ CPC (cost-per-click): Most of the customers pay on a cost-per-click basis, which means that an advertiser (customer) pays to the Group only when a user clicks on one of its ads. The Group recognizes as revenue the fees charged to advertisers each time a user clicks on one of the ads that appears next to the search results or content on the Group’s websites.
- ▶ Revenue derived from the traffic operations in the Google AdSense program, a web advertising platform, in which Mitula is a Search Partner. Google pays to Mitula on a cost-per-click basis. The Group recognizes as revenue the fees paid to it by Google based on the volume of clicks through to Google AdSense advertisements.
- ▶ Other sources of revenue generation are through CPL (cost-per lead) and CPA (cost-per acquisition) associated with the sale of a range of advertising products. In addition, with the acquisition of Dot Property, revenues are generated by sale of listing and advertising products related with property portal business.

Other operating expenses

Other operating expenses includes the expenses associated with the operation of the data centre, including, labour, energy and other transaction fees related to processing customer transactions.

Income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability on a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- ▶ fair values of the assets transferred
- ▶ liabilities incurred to the former owners of the acquired business
- ▶ equity interests issued by the Group
- ▶ fair value of any asset or liability resulting from a contingent consideration arrangement, and
- ▶ fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- ▶ consideration transferred,
- ▶ amount of any non-controlling interest in the acquired entity, and
- ▶ acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquired asset is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the profit or loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Investment and other financial assets

Classification

The Group classifies its financial assets in the following categories:

- ▶ financial assets at fair value through profit or loss,
- ▶ loans and receivables,

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- ▶ for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- ▶ for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- ▶ for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

Interest income from financial assets at fair value through profit or loss is included in the net gains/ (losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Property, plant and equipment

Property, plant and equipment is recognised at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred .

The depreciation methods and periods used by the Group are disclosed as follow:

Item	Useful life
Fittings	3 - 4 years
Equipment	3 - 4 years
Furniture and others	10 years

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not depreciated but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software and website development

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

These costs are amortised over their estimated useful lives between 3 or 4 years.

Cost incurred in acquiring new websites are recognised as intangibles assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Website developments have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of website developments over their estimated useful life, which is five years.

Trademarks and licenses

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 years. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are depreciated over their estimated useful lives of 5 years.

Customer relationships

Acquired customer relationships have a finite useful life and are carried at fair value at acquisition date less accumulated amortization and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is five years.

Trade and other payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are

usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for professional and legal services obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-terms obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Purchase Plan. The fair value of shares granted under the Employee Share Purchase Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units (CGUs) are determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU. Key assumptions are disclosed in note 12 b).

Income taxes

The Group is subject to income taxes (and other similar taxes) in Australia and in a number of overseas jurisdictions. Judgement is required in determining the Group provision for income taxes.

There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group’s understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. Financial risk management and financial instruments

4.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk.

4.2 Foreign exchange risk

The Group operates globally in multiple currencies and is exposed to foreign exchange risk, primarily with respect to the Euro, US Dollar, Australian Dollar, Great British Pound, Indian Rupees, Brazil Real, Singapore Dollar, Thailand Baht and Philippine Peso. The Group does not use derivatives to hedge this risk. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

Exposure

The Group’s exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

31 Dec 2016	EUR	USD	GBP	BRL	INR	SGD	THB	PHP
	\$	\$	\$	\$	\$	\$	\$	\$
Trade receivables	2,044,064	1,377,484	325,730	402,465	645,045	63,628	180,338	-
Cash & cash equivalents	6,001,026	1,745,204	2,373,856	608,686	61,206	314,883	20,951	2,274
Trade payables	812,230	91,781	125,471	52,775	3,868	46,822	62,586	-
	8,857,320	3,214,469	2,825,057	1,063,926	710,119	425,333	263,876	2,274

31 Dec 2016	EUR	USD	GBP	BRL	INR	SGD
	\$	\$	\$	\$	\$	\$
Trade receivables	1,560,598	731,135	343,612	192,012	651,122	-
Cash & cash equivalents	4,701,648	975,665	911,366	251,962	32,398	57,264
Trade payables	(756,639)	-	(39,764)	(36,070)	(33,036)	(933)
	5,505,607	1,706,800	1,215,214	407,904	650,484	56,331

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in EUR/\$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates is shown below:

	Impact on post tax profit		Impact on other components of equity	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$	\$	\$	\$
EUR/\$ exchange rate – increase 10 % ¹	745,154	612,983	745,154	612,983
EUR/\$ exchange rate – decrease 10 % ¹	(745,154)	(612,983)	(745,154)	(612,983)

¹ Holding all other variables constant

4.3 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- ▶ significant financial difficulties of the debtor
- ▶ probability that the debtor will enter bankruptcy or financial reorganisation, and
- ▶ default or delinquency in payments (more than 6 months overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 10(b) for disclosure analysis of impaired trade receivables.

In relation to banks and financial institutions, the Group operates with prestigious institutions, taking into consideration the ratings assigned independently when they are available.

4.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group presents a positive working capital of \$24.2 million.

Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates.

Contractual maturities of financial liabilities

	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
At 31 December 2016							
Trade payables	1,478,790	-	-	-	-	1,478,790	1,478,790
	1,478,790	-	-	-	-	1,478,790	1,478,790
At 31 December 2015							
Trade payables	1,275,182	-	-	-	-	1,275,182	1,275,182
	1,275,182	-	-	-	-	1,275,182	1,275,182

4.5 Fair value estimations

The Group generally uses, when available, market rates to determine the fair value price, and that data is classified as Level 1. If these rates are not available, the fair value is estimated using a standard valuation model. When applicable, these models project cash flows and discount the future amounts using observable data at its present value; including interest rates, exchange rates, volatility, etc. The items evaluated using the previous data are classified in accordance with the lowest level of the data that is significant for the valuation. Therefore, an item could be classified as Level 3 even though some of its significant data are observable.

During the period there was no transfer between levels 1 and 2 or 2 and 3. The Group does not have level 3 financial assets or liabilities.

The table below analyses financial instruments carried at fair value, by valuation method.

	31 December 2016	31 December 2015
	\$	\$
Financial assets at fair value through profit or loss		
- Level 1	351,739	-
- Level 2	-	-
- Level 3	-	-
	351,739	-

	31 December 2016	31 December 2015
	\$	\$
Financial liabilities at fair value through profit or loss		
- Level 1	351,739	-
- Level 2	-	-
- Level 3	-	-
	351,739	-

The financial assets at fair value through profit or loss is the value of 98,683 shares of Only Apartments SA, a Spanish company listed in MAB (Alternative Trade Market in Spain) whose quoted price at 31 December 2016 was \$3.56 per share (€2.24 per share). This financial asset was acquired as part of the Nuroa business combination (note 16.2). These shares are subject to an escrow agreement and cannot be sold in the short term. The amount obtained in the selling of these shares will be used to pay Nuroa vendors, conferring the Nuroa vendors the results of this operation and the changes in price suffered in the shares from the initial valuation, as a result there is recognized a liability of the same amount as “Other liabilities” (note 13).

5. Subsidiaries

At period end, the entities that constituted the Group are as follows:

Company name	Place of Business or Country of Incorporation	% Ownership interest held by the Group		Activity
		2016	2015	
Mitula Classified SL	Spain	100 %	100 %	Vertical search website operator
Lokku Limited	U.K.	100 %	100 %	Vertical search website operator
Mitula Group Pte Ltd	Singapore	100 %	100 %	Vertical search website operator
Mitula Classified China Limited	Hong Kong	100 %	100 %	Without activity
Nestoria UK Limited	U.K.	100 %	100 %	Without activity
Nestoria Australia Limited	U.K.	- ¹	100 %	Vertical search website operator
Nestoria Spain SL	Spain	100 %	100 %	Vertical search website operator
Nestoria Brasil Buscador de Imoveris Ltda	Brazil	100 %	100 %	Vertical search website operator
Nestoria India Property Search Services Private Limited	India	99,99 % ²	83 % ²	Vertical search website operator
Dot Property Pte Ltd	Singapore	100 %	-	Property portal network
Dot Property Co Ltd	Thailand	100 %	-	Property portal network
Dot Property Philippines Inc	Philippines	100 %	-	Property portal network

¹ During 2016 this subsidiary was liquidated.

² As of 31 December 2015 the Group had a minority shareholder in Nestoria India due to legal requirements of the country where the subsidiary operates. This stake has not been considered in the preparation of the consolidated financial statements of the Group, as the impact of it is non-significant (profit for year ended 31 December 2015 for minority shareholders adds to \$4,000). During January 2016 Lokku Limited acquired the 16.99 % of the shares of Nestoria India that was held by a minority shareholder.

6. Segment information

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenue and incur expenses that relate to transactions with the consolidated entity's other components.

The operating segment results are regularly reviewed by the Chief Executive Officer who provides strategic decision and management oversight of the day to day activities in terms of monitoring results, providing approval for capital expenditure and approving strategic planning for the business.

Description of segments

The Group's revenue is reported in three geographic segments: Americas, APAC and EMEA. The segments comprise of the following countries of operation:

- **Americas** – comprising: Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Peru, USA, Venezuela and Panama.
- **APAC** – comprising: Australia, China, Hong Kong, Indonesia, India, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Thailand and Vietnam.
- **EMEA** – comprising: Austria, Belgium, France, Germany, Ireland, Italy, Morocco, Netherlands, Poland, Portugal, Romania, Russia, South Africa, Spain, Switzerland, Turkey, United Kingdom, UAE, Denmark, Sweden Kenya, Nigeria and Tunisia.

Segment information provided to senior management

The segment information provided to senior management for the reportable segments for the year ended 31 December 2016 is as follows:

Consolidated entity	AMERICAS	APAC	EMEA	Total
Year ended 31 December 2016	\$	\$	\$	\$
Total revenue	7,527,885	6,818,644	13,676,459	28,022,988
Cost of sales	(538,424)	(832,049)	(2,144,834)	(3,515,307)
Gross profit	6,989,461	5,986,595	11,531,625	24,507,681
Gross profit percentage	93 %	88 %	84 %	87 %

The segment information provided to senior management for the reportable segments for the year ended 31 December 2015 is as follows:

Total revenue	6,753,875	4,872,443	8,941,717	20,568,035
Cost of sales	(849,509)	(545,105)	(1,116,059)	(2,510,673)
Gross profit	5,904,366	4,327,338	7,825,658	18,057,362
Gross profit percentage	87 %	89 %	88 %	88 %

Other segment information

Segment revenue

There are no sales between segments. The revenue from external parties reported to senior management is measured in a manner consistent with that in the consolidated income statement.

Management Gross Profit

The senior management assesses the performance of the operating segments based on a measure of gross profit.

Segment assets

Assets are not reported to the chief operating decision maker by segment. All assets are assessed at a consolidated entity level.

Segment liabilities

Liabilities are not reported to the chief operating decision maker by segment. All liabilities are assessed at a consolidated entity level.

Information about major customers

Revenue derived from the traffic operations in the Google AdSense program, contributed with \$9.5 million to the Group's revenue (2015:\$7.4 million). No other single customer contributed 10 % or more to the Group's revenue for both 2016 and 2015.

7. Expenses

	Note	31 December 2016	31 December 2015
		\$	\$
Profit before income tax includes the following specific expenses:			
<i>Employee benefits</i>			
Salary costs		7,109,583	5,219,567
Shared-based payments	20	455,535	-
IPO expenses - Share-based payments	20	574,000	574,000
Total Employee benefits		8,139,118	5,793,567
<i>Depreciation and amortisation</i>			
Depreciation of property, plant and equipment	11	304,539	222,114
Loss on disposal	11	8,354	-
Amortisation of other intangibles	12	1,661,400	881,384
Total Depreciation and Amortisation Expense		1,974,293	1,103,498

	Note	31 December 2016	31 December 2015
		\$	\$
Profit before income tax includes the following specific expenses:			
<i>Finance cost</i>			
Interest income on bank balances		(346,144)	(171,403)
Interest income financial assets at fair value		-	(1,454)
Interest income on loans to related parties		-	(5,231)
Interest on convertible shares		-	1,950,000
Interest expense on bank loans		29,493	-
Total Finance Cost / (Income)		(316,651)	1,771,912
<i>Significant operating expenses</i>			
Minimum lease payments under non-cancellable operating leases		428,523	384,456
Total significant operating expenses		428,523	384,456
<i>Significant other expenses</i>			
IPO expenses		-	1,246,449
Net foreign exchange loss / (income)		(208,483)	283,018
Total significant other expenses		(208,483)	1,529,467

8. Income tax

Income tax expense

	Note	31 December 2016	31 December 2015
		\$	\$
Current tax		1,985,852	2,036,625
Deferred tax	15	322,672	(238,687)
Income tax expense		2,308,524	1,797,938

Numerical reconciliation of income tax expense to prima facie tax payable

Profit from ordinary activities before income tax:		
Continuing operations	10,482,247	4,386,561
Income tax calculated at 30 % (2015:30 %)	3,144,674	1,315,968
	31 December 2016	31 December 2015
	\$	\$
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Deductions double imposition	(49,817)	(65,415)
Other non deductible expenses	19,036	39,783
Share-based payments	172,200	172,200
Interest on convertible notes	-	585,000
Research and development tax credit	(67,064)	(63,736)
Capital expenses not deductible for tax purposes	-	373,935
Subtotal	3,219,029	2,357,735
Differences in overseas tax rates	(724,930)	(397,041)
Previously unrecognized tax losses	(131,053)	-
Tax losses not brought into account	20,918	37,020
Adjustments for current tax of prior periods	(75,440)	(199,776)
Total income tax expense	2,308,524	1,797,938

Tax losses not brought to account predominantly relate to corporate expenses in jurisdictions where it has been determined it is not probable that future taxable profits will be available to utilize the losses.

9. Cash and cash equivalents

	31 December 2016	31 December 2015
	\$	\$
Cash on hand	-	6,296
Bank balances	20,462,205	20,996,637
	20,462,205	21,002,933

The carrying amounts of cash and cash equivalents by currency are as follows:

	31 December 2016	31 December 2015
	\$	\$
Euro	6,001,026	4,701,648
Great Britain Pounds	2,373,856	911,366
Australian Dollar	9,334,119	14,072,630
US Dollar	1,745,204	975,665
Indian Rupies	61,206	32,398
Brazil Real	608,686	251,962
Singapore Dollar	314,883	57,264
Thailand Baht	20,951	-
Philippine Peso	2,274	-
	20,462,205	21,002,933

10. Trade and other receivables

	Note	31 December 2016	31 December 2015
		\$	\$
Trade receivables		5,251,907	3,581,187
Provision for impairment of receivables	10 b)	(380,414)	(183,477)
		4,871,493	3,397,710
Loans and receivables to related parties	26	441,882	63,811
Other receivables		-	7,913
Short-term prepayments		105,924	50,874
Other receivable relating to Value-Added Tax		48,875	364,392
		596,681	486,990
		5,468,174	3,884,700

Fair value of trade and other receivables

Due to the short-term nature of these receivables, the fair value of trade and other receivables approximate their carrying amount.

Impaired trade receivables

The movement in the provision is as follows:

	31 December 2016	31 December 2015
	\$	\$
Provision for impairment at the beginning of the financial year	(183,477)	(65,464)
Business combination - Lokku acquisition	-	(6,686)
Provision for impairment of receivables	(196,937)	(111,327)
Provision for impairment at the end of the financial year	(380,414)	(183,477)

Provision for impaired receivables has been included in “Operational Expenses” in the income statement. The amounts charged to the provision are written off when no more cash is expected to be recovered. Balances for which full provision has been made are also entirely for mature debt of more than six months standing.

As at 31 December 2016, trade receivables of \$1,848,648 (2015: \$890,927) were past due and not impaired. These relate to a number of independent customers and debtors for whom there is no recent history of default.

The ageing analysis of these trade receivables accounts is as follows:

	31 December 2016	31 December 2015
	\$	\$
Up to 3 months	1,481,460	662,698
Between 3 and 6 months	250,441	228,229
More than 6 months	116,747	-
	1,848,648	890,927

Foreign exchange

The carrying amounts of trade receivables by currency are as follows:

	31 December 2016	31 December 2015
	\$	\$
Euro	2,044,064	1,560,598
US Dollar	1,377,486	731,135
Australian Dollar	213,151	102,708
GBP	325,730	343,612
Brazil Real	402,465	192,012
Indian Rupies	645,045	651,122
Singapore Dollar	63,628	-
Thailand Baht	180,338	-
	5,251,907	3,581,187

11. Property, plant and equipment

	Leasehold improvements	Furniture, fittings and equipment	Total
	\$	\$	\$
At 1 January 2015			
Cost or fair value	-	628,369	628,369
Accumulated depreciation	-	(375,665)	(375,665)
Net book amount	-	252,704	252,704
Year ended 31 December 2015			
Opening net book amount	-	252,704	252,704
Exchange differences	-	103	103
Acquisition of subsidiary	-	44,485	44,485
Additions	231,816	422,032	653,848
Depreciation charge	(11,443)	(210,671)	(222,114)
Closing net book amount	220,373	508,653	729,026
At 31 December 2015			
Cost or fair value	231,816	1,094,989	1,326,805
Accumulated depreciation	(11,443)	(586,336)	(597,779)
Net book amount	220,373	508,653	729,026

	Leasehold improvements	Furniture, fittings and equipment	Total
	\$	\$	\$
Year ended 31 December 2016			
Opening net book amount	220,373	508,653	729,026
Exchange differences	(4,583)	(9,984)	(14,567)
Acquisition of subsidiary	-	71,371	71,371
Additions	6,553	420,087	426,640
Disposals (net of depreciation)	-	(8,354)	(8,354)
Depreciation charge	(23,621)	(280,918)	(304,539)
Closing net book amount	198,722	700,855	899,577
At 31 December 2016			
Cost or fair value	233,786	1,497,448	1,731,234
Accumulated depreciation	(35,064)	(796,593)	(831,657)
Net book amount	198,722	700,855	899,577

The main significant additions to property, plant and equipment in 2016 and 2015 were leasehold improvements, furniture, fittings and equipment acquired for the new offices in Madrid.

As of 31 December 2016 there are assets fully depreciated of \$199,488 (2015: nil).

12. Intangible assets

	Goodwill	Customer relationships	Trademarks and licenses	Software and website development	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2015					
Opening net book amount	-	-	-	-	-
Exchange differences	-	-	-	6,892	6,892
Acquisition of business	-	-	-	102,346	102,346
Additions	5,086,057	6,359,064	1,228	107,377	11,553,726
Adjustments/Disposals	-	-	-	(11,154)	(11,154)
Amortisation charge	-	(847,875)	-	(33,509)	(881,384)
Closing net book amount	5,086,057	5,511,189	1,228	171,952	10,770,426

	Goodwill	Customer relationships	Trademarks and licenses	Software and website development	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2015					
Opening net book amount	-	-	-	-	-
Exchange differences	-	-	-	6,892	6,892
Acquisition of business	-	-	-	102,346	102,346
Additions	5,086,057	6,359,064	1,228	107,377	11,553,726
Adjustments/Disposals	-	-	-	(11,154)	(11,154)
Amortisation charge	-	(847,875)	-	(33,509)	(881,384)
Closing net book amount	5,086,057	5,511,189	1,228	171,952	10,770,426
At 31 December 2015					
Cost or fair value	5,086,057	6,359,064	1,228	205,461	11,651,810
Accumulated amortisation and impairment	-	(847,875)	-	(33,509)	(881,384)
Net book amount	5,086,057	5,511,189	1,228	171,952	10,770,426

Year ended 31 December 2016					
Opening net book amount	5,086,057	5,511,189	1,228	171,952	10,770,426
Exchange differences	(89,354)	-	-	(24,366)	(113,720)
Acquisition of business	13,955,973	1,082,556	-	952,643	15,991,172
Additions	-	-	-	227,360	227,360
Amortisation charge	-	(1,452,239)	-	(209,161)	(1,661,400)
Closing net book amount	18,952,676	5,141,506	1,228	1,118,428	25,213,838

At 31 December 2016					
Cost or fair value	18,952,676	7,441,620	1,228	1,361,098	27,756,622
Accumulated amortisation and impairment	-	(2,300,114)	-	(242,670)	(2,542,784)
Net book amount	18,952,676	5,141,506	1,228	1,118,428	25,213,838

The additions to goodwill and customer relationships derived from the acquisition of Nuroa and Dot Property (see note 16).

For Nuroa and Dot Property, the net asset value and the allocation of the purchase price to acquired assets are still preliminary. In particular, the fair values assigned to intangible assets are still being assessed and may be subject to change. The acquisition accounting will be finalised within 12 months of the acquisition date.

Impairment test

Goodwill relates to three separate acquisitions:

	31 December 2016	31 December 2015
	\$	\$
Goodwill Lokku acquisition	5,086,057	5,086,057
Goodwill Nuroa acquisition	1,932,674	-
Goodwill Dot Property acquisition	11,933,945	-
Total Goodwill	18,952,676	5,086,057

The Nuroa Internet SL and Dot Property Pte Limited acquisitions occurred within the last 12 months and the acquisition accounting and associated goodwill remains preliminary. Due to the proximity of these acquisitions to year end the Group used a “fair value less cost to sell” model to assess the carrying value of the associated goodwill, considering recent market transactions and any indicator subsequent to year end. There are no factors that indicate a possible impairment in these investments.

On finalization of acquisition accounting goodwill is allocated to the Group's three segments: Americas, EMEA and APAC. The segments are also considered to be the Group's cash generating units (“CGU”).

Impairment test of intangible assets

The recoverable amount of goodwill arising from Lokku's acquisition is determined by management based on a value-in-use calculation. The Group has determined its Cash Generating Units CGU by segments, having allocated goodwill intangibles balances arising from Lokku's acquisition as follows:

	Goodwill	Intangible Assets	Total
	\$	\$	\$
EMEA	3,394,016	2,829,010	6,223,026
APAC	1,295,608	1,079,927	2,375,535
Americas	396,433	330,439	726,872
Total	5,086,057	4,239,376	9,325,433

Key assumptions

The recoverable amount has been determined based on a value in use using cash flow projections based on financial forecasts prepared by senior management for a 5-year period, using 1 % growth rate and being the pre-tax discount rates determined with market information, considering cost of money and incorporating CGU specific risks.

	Real terminal growth value	Pre-tax discount rate
EMEA	0.5 %	10 %
APAC	0.5 %	12 %
Americas	0.5 %	15 %

Impact of possible changes in key assumptions

The Directors and management have considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount to exceed the recoverable amount.

13. Other non-current financial assets and other liabilities

	31 December 2016	31 December 2015
	\$	\$
Investments	1,462	1,462
Lease guarantee	194,755	165,064
Financial assets at fair value through profit or loss	351,739	-
	547,956	166,526
Financial liabilities at fair value through profit or loss	(351,739)	(17)
	(351,739)	-

The main lease guarantee is a deposit paid by the Group as guarantee to the lessor of the offices that the Group has in Madrid (Spain). This office is leased under non-cancellable operating leases expiring within five years. However, after three years the Group can cancel the lease with a 6 month notice (see note 25).

14. Trade and other payables

	Note	31 December 2016	31 December 2015
		\$	\$
Trade payables		997,730	1,039,961
Amounts due to related parties	26	145,630	191,147
Employee liabilities		32,140	44,074
Other payables to tax authorities		303,290	252,136
		1,478,790	1,527,318

The carrying amounts of trade and other payables are the same as their fair value, due to their short-term nature.

15. Deferred tax balances

Deferred tax assets

	31 December 2016	31 December 2015
	\$	\$
The balance comprises temporary differences attributable to:		
Bonus accrual	201,780	4,409
Total deferred tax assets	201,780	4,409

	31 December 2016	31 December 2015
	\$	\$
The balance comprises temporary differences attributable to:		
Bonus accrual	201,780	4,409
Total deferred tax assets	201,780	4,409

Movements	Losses Carryforward	Intangible Assets	Bonus accrual	Total
	\$	\$	\$	\$
At 1 January 2015	-	-	-	-
(Charged)/credited:				
- to profit or loss	-	-	(53,375)	(53,375)
- to other comprehensive income	-	-	-	-
Acquisition of subsidiary	-	-	57,784	57,784
At 31 December 2015	-	-	4,409	4,409
(Charged)/credited:				
- to profit or loss	(818,062)	(54,682)	49,254	(823,490)
- to other comprehensive income	-	-	-	-
Acquisition of subsidiary	818,062	202,799	-	1,020,861
At 31 December 2016	-	148,117	53,663	201,780

Deferred tax liabilities

	31 December 2016	31 December 2015
	\$	\$
The balance comprises temporary differences attributable to:		
Property, plant and equipment	14,755	32,268
Intangibles - Customer Relationships	1,780,612	1,653,356
Total deferred tax liabilities	1,795,366	1,685,624

Movements	Property, Plant and Equipment	Intangibles - Customer Relationships	Total
	\$	\$	\$
At 1 January 2015	69,967	-	69,967
Charged/(credited):			
- to profit or loss	(37,699)	(254,363)	(292,062)
- to other comprehensive income	-	-	-
Acquisition of subsidiary	-	1,907,719	1,907,719
At 31 December 2015	32,268	1,653,356	1,685,624
Charged/(credited):			
- to profit or loss	(17,514)	(483,304)	(500,818)
- to other comprehensive income	-	-	-
Acquisition of subsidiary	-	610,560	610,560
At 31 December 2016	14,754	1,780,612	1,795,366

16. Business combinations

16.1 Prior period acquisition: Lokku

On 8 May 2015, the Company acquired 100 % of the issued share capital of Lokku Limited. Lokku owns and operates a network of 13 real estate vertical search Websites in 9 countries. Details of this business combination were disclosed in note 17 of the Group's annual financial statements for the year ended 31 December 2015. The net asset values and allocation of purchase price to acquired assets has been finalized during the half year. There were no material adjustments to the initial accounting values.

16.2 Current period acquisition – Nuroa

On 29 February 2016, the Mitula Classified SL acquired 100 % of the issued share capital of Nuroa Internet SL. The total purchase consideration was approximately \$3.28 million (€2.14 million), which has been funded from its existing cash reserves by new shares issued by Mitula Group Ltd (see note 18).

Nuroa is a Spanish company which owns and operates 17 real estate vertical search Websites in 17 countries. Nuroa operates a similar model to the Mitula Group with revenues being derived from CPC (cost per click) and Google AdSense.

After the acquisition Nuroa was merged into Mitula Classified SL. The allocation of the goodwill will be finalized within 12 months of the acquisition date. This merger was undertaken to exploit the synergies of the two businesses.

Purchase consideration

	\$
Cash	2,754,708
Deferred consideration	444,148
Issued of new shares	79,067
Total purchase consideration	3,277,923

Cash consideration payable to the Nuroa vendors comprised of €2.14 million (\$3.28 million). The total amount included \$444,148 of deferred consideration payable in shares of Only Apartments SA, a Spanish company listed in MAB (Alternative Trade Market from Spain). Those shares are shown as “Financial assets at fair value through profit or loss” (see note 13). The amount obtained in selling these shares will be used to pay Nuroa vendors.

The assets and liabilities acquired are as follows:

	\$
Cash and cash equivalents	134,180
Trade and other receivables	331,553
Plant and equipment	6,741
Investments	356,233
Trade and other payables	(99,522)
Tax liabilities	(49,993)
Borrowings	(1,868,797)
Net liabilities	(1,189,605)
Goodwill	2,022,028
Deferred tax Assets	1,020,861
Deferred tax liability	(610,560)
Internally developed software	952,643
Customer relationships	1,082,556
Net assets acquired	3,277,923

The borrowings balance relates to loans received by Nuroa Internet SL from Public Institutions located in Spain. Mitula Classified SL has repaid all the loans during the period. The movement of the period is:

\$	31 December 2015	Business acquisition	Interest	Payments	31 December 2016
Borrowings from Nuroa Internet SL	-	1,868,797	13,958	(1,882,755)	-

Acquisition related costs of this business combination amounts to \$65,302.

Preliminary accounting for the acquisition

The fair value of net assets has been assessed at 29 February 2016. The allocation of the goodwill will be finalized within 12 months of the acquisition date. The preliminary accounting for the acquisition determined that ‘customer relationships’ was a separately identifiable asset requiring valuation at acquisition date. The asset was valued at \$1,082,556 based on the Multi-period Excess Earnings Methodology (“MEEM”) model, to be amortised over a useful life of 5 years.

Purchase consideration – cash outflow

	\$
Outflow of cash to acquire subsidiary, net of cash acquired	647,097
Cash consideration	2,754,708
Less: cash balance acquired	(134,180)
Net outflow of cash – investing activities	2,620,528

16.3 Current period acquisition – Dot Property

On 2 September 2016, the Group acquired 100 % of the issued share capital of Dot Property Private Limited. Dot Property operates 10 property portals across nine South East Asian countries. The strategic acquisition of Dot Property will increase Mitula Group monetization of property based visits in those countries.

Purchase consideration

	\$
Cash	4,303,309
Working capital adjustment	647,097
Issue of new shares	4,827,624
Shares deferred payment	2,605,704
Total purchase consideration	12,383,734

The consideration paid for this acquisition was \$12,383,734, consisting of \$4,950,404 in cash and 6,696,691 Mitula Group Limited shares at an implied issue price of \$1.11 per share. All share-based consideration will be subject to voluntary escrow arrangements and, furthermore, 40 % of the share-based consideration provided to the sellers will be deferred and issued in 2 tranches over a 2-year period.

The assets and liabilities acquired are as follows:

	\$
Cash and cash equivalents	655,670
Trade and other receivables	176,877
Plant and equipment	64,628
Trade and other payables	(403,052)
Provisions	(41,135)
Tax liabilities	(3,199)
Net assets	449,789
Goodwill	11,933,945
Net assets acquired	12,383,734

The goodwill is attributable to the workforce, Dot Property's position in a South East Asian market, its customer database, the high profitability of the business and synergistic benefits expected to be created by this acquisition. Goodwill is not expected to be deductible for tax purposes.

Acquisition related costs of this business combination amount to \$112,949.

Initial accounting

Both the net asset value and the allocation of the purchase price to acquired assets are still preliminary. In particular, the fair values assigned to intangible assets are still being assessed and may be subject to change. The acquisition accounting will be finalised within 12 months of the acquisition date.

Purchase consideration – cash outflow

	31 December 2016
	\$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	4,303,309
Working capital adjustment	647,097
Total purchase consideration	4,950,406
Less: cash balance acquired	655,670
Net outflow of cash – investing activities	4,294,736

In September 2016 Mitula Group Ltd borrowed \$3.3 million from Westpac Bank to make the cash payment needed in the Dot Property acquisition. This amount was paid back in December 2016.

17. Capital risk management policy

The Group's objectives when managing capital are to:

- ▶ safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- ▶ maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

18. Contributed equity

Share capital

	31 December 2016		
	Notes	Number of shares	\$
Ordinary shares			
Ordinary shares fully paid	10b)	213,168,414	32,136,903

Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	\$
1 January 2015	Opening balance		3,436	1.49	5,121
11 March 2015	Incorporation of Mitula Group		12	1.00	12
24 March 2015	Share split		340,164	-	-
17 April 2015	Capital reorganization		171,456,400	-	(5,121)
1 July 2015	New shares issued		19,360,000	0.75	14,520,000
1 July 2015	New shares convertible notes holders		13,000,000	0.75	9,750,000
1 July 2015	New shares Lokku vendors first option		800,000	0.75	600,000
30 September 2015	New shares Lokku vendors second option		3,777,677	0.98	3,683,235
			208,737,689	-	28,553,247
	Transaction costs on share issue		-	-	(1,323,035)
	Closing balance		208,737,689	-	27,230,212
1 January 2016	Opening balance		208,737,689	-	27,230,212
16 March 2016	New shares Nuroa vendors ¹		81,512	0.97	79,067
2 September 2016	New shares Dot Property vendors ²		4,329,213	1.11	4,827,624
	Closing balance		213,168,414	-	32,136,903

¹ Pursuant to the terms of the acquisition agreement between Mitula Classified SL and Nuroa vendors, the Nuroa vendors received 81,512 shares at a price of \$0.97 per share on March 2016 as part of the payment of the price agreed in the purchase and sale agreement.

² Pursuant to the terms of the acquisition agreement between Mitula Group Ltd and Dot Property vendors, the Dot Property vendors received 4,329,213 shares at a price of \$1.11 per share on September 2016 as part of the payment of the price agreed in the purchase and sale agreement.

19. Other reserves

	31 December 2016	31 December 2015
	\$	\$
Other Reserves	-	-
Share-based payments	1,603,535	574,000
	1,603,535	574,000
Movements:		
Other Reserves		
Opening balance	-	446,460
Capital reorganization	-	(446,460)
Closing balance	-	-
Share-based payments		
Opening balance	574,000	79,957
Capital reorganization - liquidation previous share plan	-	(79,957)
Share-based payment expense	1,029,535	574,000
Closing balance	1,603,535	574,000

20. Share-based payments

2016 Share-based plans

The Mitula Group has determined to implement a share based payment plan in order to recognize the contribution of each employee to the continued growth and success of the Group, and also to attract, motivate and retain employees.

In order to achieve this, the Group has implemented this via three elements as follows:

► **Employee Share Purchase Plan:** The plan will be available for all employees with at least 1 years' service which will be entitled to contribute 2.5 % of their base remuneration to acquire shares in Mitula Group Limited. The plan operates since 1 July 2016. For each share purchase, the participant receives a right to acquire a "matched share". The plan operates on a half year basis and it is voluntary and individual. Group consider for the calculation that 85 % of the eligible employee at the year-end will join to plan with a 2.5 % percent of their fixed salary.

► **Short-Term Incentive:** This plan will be available for middle management and key personnel. Vesting conditions are related to the achievement of relevant KPIs (EBITDA and Revenues), and the company will give a number of shares. The conditions are individual for every employee under this program.

The STI will be delivered in shares with exercise price of \$0, having a vesting period of 6 months for 2016 starting the 1st of July. The amount estimated is based in achieving 100 % of the relevant KPIs, and share value price of \$0.95, delivering 377,000 shares.

► **Long-Term Incentive:** This plan will be offered to senior executives and key personnel with the purpose to retain and promote loyalty among the existing talent in the company over a long period of time. Senior executives will be subjected to relevant KPIs performance and share value quotation. The LTI will be delivered in shares

equivalent to a percentage of the fixed salary of the eligible employee. The amount has been calculated based in the followings estimations:

- Total amount LTI per year: \$481,434.
- Estimated 100 % achievement of relevant KPIs.
- Vesting period 2-3 years from 1 July 2016.

The breakdown of these expenses is shown below:

	31 December 2016	31 December 2015
	\$	\$
ESPP	35,743	-
Short-Term Incentive	179,075	-
Long-Term Incentive	240,717	-
Total Shared-based plan	455,535	-

2015 Share-based plans related to the IPO

During 2015 the Group granted 2,800,000 options to its directors and senior management as part of the IPO remuneration. The options are exercisable from 1 July 2016 and lapse on 30 June 2018. The exercise price is \$0.40 per option.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price per share option	Options	Average exercise price per share option	Options
At 1 January	\$0.40	2,800,000	-	-
Granted during the year	-	-	\$0.40	2,800,000
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
At 31 December	\$0.40	2,800,000	\$0.40	2,800,000
Vested and exercisable at 31 December	\$0.40	2,800,000	-	-

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

				Share options	
Grant date	Vest date	Expiry date	Exercise price	31 December 2016	31 December 2015
30 June 2015	1 July 2016	1 July 2018	\$ 0.40	2,800,000	2,800,000
				2,800,000	2,800,000

The Group estimated the fair value of this option is \$0.41 per option, for a total amount of \$1,148,000. This amount was recognised as an expense into the income statement on a monthly basis from the grant date to the vesting date.

Total expense arising from share-based payment transactions recognised during the period was \$574,000 (2015: \$574,000).

The assessed fair value at grant date of options granted during the year ended 31 December 2015 was \$0.41 per option. The fair value at grant date is independently determined using an adjusted form of the Longstaff-Schwartz (LS) Method which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 31 December 2015 included:

Parameter	Value as of 30 June 2015
Underlying Volatility (annualized)	44 %
Risk Free Rate	2.331 %
Dividend Yield	0 %
Strike	0.4 AUD/Share
Spot	0.75 AUD/Share

21. Dividends

The Group is not proposing to pay dividends. There are no dividend or distribution reinvestment plans in operation.

22. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The calculation of earnings per share was based on the information as follows:

Basic and diluted earnings per share

	31 December 2016		31 December 2015	
	Cents per share		Cents per share	
	Basic	Diluted	Basic	Diluted
From continuing operations attributable to the ordinary equity holders of the Group	3.89	3.84	1.37	1.36

Reconciliations of earnings used in calculating earnings per share

	31 December 2016	31 December 2015
	\$	\$
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	8,173,723	2,588,623
From discontinued operation	-	-
	8,173,723	2,588,623
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Group:		
Used in calculating basic earnings per share	8,173,723	2,588,623
Add / (Less)	-	-
Used in calculating diluted earnings per share	8,173,723	2,588,623
From discontinued operation	-	-
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share	8,173,723	2,588,623

Weighted average number of shares used as denominator

	31 December 2016	31 December 2015
	Number of shares	Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	210,232,330	189,167,026
Weighted average of potential dilutive ordinary shares:		
- options	2,800,000	1,400,000
Weighted average number of shares used as denominator in calculating diluted EPS	213,032,330	190,567,026

23. Key management personnel disclosures

Key management personnel (KMP) are those people having authority and responsibility for planning, directing and controlling the activities of the consolidated entity. The following Directors and other key management personnel were considered KMP for the entire period unless otherwise stated.

Non-Executive Directors

Simon Baker	Independent Non-Executive Chairman
Gonzalo Ortiz	Non-Executive Director
Joe Hanna	Independent Non-Executive Director
Sol Wise	Independent Non-Executive Director

Executive Directors

Gonzalo del Pozo Chief Executive Officer and Executive Director

Other Key Management Personnel

Ricardo Gómez de Olea Chief Financial Officer
Marcelo Badimón Chief Operations Officer

Key management personnel compensation

	31 December 2016	31 December 2015
	\$	\$
Short-term employee benefits	1,227,318	863,333
Share-based payments	840,000	574,000
Long-term benefits	-	4,275
	2,067,318	1,441,608

24. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PricewaterhouseCoopers Australia

	31 December 2016	31 December 2015
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	83,530	116,700
Other assurance services:		
- Due diligence services	-	70,000
Total remuneration for audit and other assurance services	83,530	186,700
<i>Taxation services</i>		
Tax consulting services and advice in relation to IPO	-	82,500
Total remuneration for taxation services	-	82,500
<i>Other services</i>		
Consulting services in relation to the IPO	-	320,000
Total remuneration for other services	-	320,000
Total remuneration of PricewaterhouseCoopers Australia	83,530	589,200

Network firms of PricewaterhouseCoopers Australia

	31 December 2016	31 December 2015
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	180,497	223,337
Other assurance services:		
- Due diligence services	107,945	-
Total remuneration for audit and other assurance services	288,442	223,337
<i>Taxation services</i>		
Tax consulting services	28,018	-
Total remuneration for taxation services	28,018	-
<i>Other services</i>		
Consulting services	47,541	-
Total remuneration for other services	47,541	-
Total remuneration of network firms of PricewaterhouseCoopers Australia	364,001	223,337

25. Commitments**Non-cancellable operating leases**

The Group's main office is in Madrid (Spain). This office is leased under non-cancellable operating leases expiring within five years. However, after three years the Group can cancel the lease with 6 months' notice. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	31 December 2016	31 December 2015
	\$	\$
Within one year	231,190	199,450
Later than one year but not later than five years	54,519	262,966
Later than five years	-	-
	285,709	462,416

26. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 5.

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Transactions with related parties

The following transactions occurred with related parties:

	31 December 2016	31 December 2015
	\$	\$
<i>Sales and purchases of goods and services</i>		
Sale of services to entities controlled by key management personnel	530,860	121,681
Purchase of management services from entities controlled by key management personnel	1,305,911	1,548,351
Purchases of website from entities controlled by key management personnel	-	107,377
Purchases of various services from entities controlled by key management personnel	162,936	133,075
Superannuation contributions	-	4,275
Acquisition of a business	752,920	-

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	31 December 2016	31 December 2015
	\$	\$
Receivables from related parties (note 10):		
Entities controlled by key management personnel	441,882	63,811
Payables to related parties (note 14):		
Entities controlled by key management personnel	145,630	191,147

Loans to related parties

	31 December 2016	31 December 2015
	\$	\$
<i>Loans to key management personnel</i>		
Beginning of the year	-	372,584
Loans advanced	-	-
Loan repayments received	-	(372,584)
Interest charged	-	1,587
Interest received	-	(1,587)
End of year	-	-
<i>Loans to other related parties</i>		
Beginning of the year	-	153,382
Loans advanced	-	-
Loan repayments received	-	(149,089)
Interest charged	-	3,644
Interest received	-	(7,937)
End of year	-	-

Terms and conditions

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for period of 1 year, repayable in one instalment at an interest rates of 5 % per annum.

Services were provided to other related parties during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin of 10 % (2015 – 10 %). All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

27. Contingencies

The Group had no contingent liabilities at 31 December 2016 (2015: nil).

28. Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities:

	31 December 2016	31 December 2015
	\$	\$
Profit for the period	8,173,723	2,588,623
Adjustments for		
Depreciation and amortisation	1,974,293	1,103,498
Impairment of trade receivables	196,937	111,327
Non-cash employee benefits expense-share based payments	574,000	574,000
Shared-based plan	455,535	-
Financial expense of convertible notes	-	1,950,000
Net exchange differences	(208,483)	(212,931)
Change in operating assets and liabilities, net of effects from business combination:		
(Increase)/Decrease in trade debtors	(1,346,730)	(806,836)
Increase/(Decrease) in trade creditors	(877,762)	542,555
(Increase)/Decrease in other operating assets	(95,390)	(77,697)
Increase/(Decrease) in income taxes payable	(242,084)	(655,943)
(Increase)/Decrease in deferred tax assets	823,490	53,375
Increase/(Decrease) in deferred tax liabilities	(500,818)	(292,062)
Net cash inflow (outflow) from operating activities	8,926,711	4,877,909

29. Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	31 December 2016	31 December 2015
	\$	\$
Balance Sheet		
Current assets	10,259,793	14,315,363
Non-current assets	25,183,591	12,705,416
Total assets	35,443,384	27,020,779
Current liabilities	874,444	340,722
Non-current liabilities	797,807	784,656
Total liabilities	1,672,251	1,125,378

	31 December 2016	31 December 2015
	\$	\$
Net assets	33,771,133	25,895,401
Shareholders' Equity		
Issued capital	32,136,903	27,135,770
Other reserves	2,205,333	2,781,269
	34,342,236	29,917,039
Profit or loss for the period	(571,103)	(4,021,638)
Total comprehensive income	(571,103)	(4,021,638)

Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees as at 31 December 2016 (2015: nil).

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2016 (2015: nil). For information about guarantees given by the parent entity, please see above.

Contractual commitments for the acquisition of property, plant or equipment

There are no contractual commitments.

Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

30. Events occurring after the reporting period

On the 2nd of March 2017 the Group has acquired Kleding BV, a company in The Netherlands. The purchase consideration was 10 million euros (\$13.7 million) in cash and 1 million Mitula Group shares, with an additional earn out clause contingent on meeting certain revenue and EBITDA targets in FY17. Kleding runs 16 fashion verticals search sites under the Kleding.nl and Fashiola brands in 15 countries.

Directors' Declaration

2.6



In the Directors' opinion:

- ▶ the financial statements and notes set out on pages 46 to 99 are in accordance with the *Corporations Act 2001*, including:
 - ▶ complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ▶ giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date, and
- ▶ there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Simon Baker
Chairman

Dated this 8 March 2017

Independent auditor's report

To the shareholders of Mitula Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Mitula Group Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial report, which include a summary of significant accounting policies
- the directors' declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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Liability limited by a scheme approved under Professional Standards Legislation.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

As described in the Directors' report, the Group is a 'vertical search' website operator, with a current portfolio of 90 vertical search sites in 50 countries and 10 property portals in 9 South East Asian countries.



Materiality

- For the purpose of our audit we used overall Group materiality of \$480,000 which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds.

Audit scope

- Our audit focused on where the directors made subjective judgements for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Given that the Group's main operations, management and accounting records are located in Spain, the majority of our audit procedures were performed at the head office in Madrid, Spain by a local auditor ("the Component Auditor") under our instruction.
- Where work was performed by the Component Auditor, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained for the purpose of our opinion. Our involvement with the Component Auditors included discussions, written instructions, reporting throughout the year and review of specific working papers. We also visited Spain to plan the Group audit approach, review the Component Auditor's work and meet with Group management.
- We performed further audit procedures at a Group level, including over Australian taxes, and the preparation of the financial report.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
 - Accounting for the acquisition of Dot Property Pte Limited
 - Accounting for the acquisition of Nuroa Internet SL
 - The carrying value of goodwill

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do

not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of Dot Property Pte Limited Refer to note 17.3 in the financial report</p> <p>Following the acquisition of 100% of the issued share capital of Dot Property Pte Limited in September 2016 for a total purchase consideration of \$12,383,734, the Group completed a preliminary purchase price allocation ("PPA"). The consideration is a combination of cash and Mitula equity, with portions of the equity consideration deferred over 12 and 24 months from acquisition.</p> <p>We believe that this is a key audit matter because of:</p> <ul style="list-style-type: none"> the size of the acquisition and associated goodwill (\$11,933,945) the nature of purchase consideration, including deferred equity, paid to Dot Property Pte Limited shareholders who are also employees and the accounting complexities associated with this 	<p>Our audit procedures to assess the preliminary acquisition accounting included:</p> <ul style="list-style-type: none"> Reading the sale and purchase agreement to understand the key terms and conditions of the transaction Comparing the assets and liabilities identified in the acquisition accounting against the terms of the sale and purchase agreement Assessing the accounting treatment of the current and deferred consideration in the form of cash and equity including whether any elements of the consideration are required to be allocated to the purchase price or ongoing remuneration arrangements in line with AASB 3, <i>Business Combinations</i>.
<p>Accounting for the acquisition of Nuroa Internet SL Refer to note 17.2 in the financial report</p> <p>The Group completed a preliminary PPA relating to the acquisition of Nuroa Internet SL, which occurred in February 2016. This assessment determined that 'customer relationships' was a separately identifiable asset requiring valuation at acquisition date. The asset was valued by the Group at \$1,082,556 based on the Multi-period Excess Earnings Methodology ("MEEM") model, to be amortised over a useful life of 5 years. This process involved estimation and judgement of the future performance of the business and the discount rates applied to future cash flow forecasts.</p> <p>We believe that this is a key audit matter because of:</p> <ul style="list-style-type: none"> the size of the acquisition (purchase price of \$3,277,923) and associated goodwill (\$2,022,028) the complexities inherent in the purchase price allocation particularly relating to the identification and recognition of 	<p>Our audit procedures to assess the accounting treatment of the acquisition included:</p> <ul style="list-style-type: none"> Reading the sale and purchase agreement to understand the key terms and conditions of the transaction Comparing the assets and liabilities identified in the acquisition accounting against the terms of the sale and purchase agreement Considering the availability of historic tax losses to be utilised by the Group following the acquisition and the probability of their utilisation against future taxable profits Assessing the reasonableness of cash flow forecasts used in the measurement of the identifiable intangible assets by comparing the forecast attrition rates against past performance, historic industry statistics and current market data. <p>Together with our valuation experts, we considered the Group's preliminary PPA, including the identification and valuation of intangible assets which were acquired. We developed a range of blended discount rates taking into consideration the weighted average risk profile of the countries in which Nuroa</p>

Key audit matter	How our audit addressed the key audit matter
<p>assets and liabilities, including deferred tax assets of \$818,062 in respect of historic tax losses</p> <ul style="list-style-type: none"> the judgements involved in assessing the value of customer relationships within a MEEM model. 	<p>generates its cashflow based on market data and industry research to compare with the discount rate used by the Group.</p>
<p>The carrying value of goodwill Refer to note 13 in the financial report</p> <p>Goodwill balance as at 31 December 2016 relates to 3 separate acquisitions; Dot Property Pte Limited (\$11,933,945); Nuroa Internet SL (\$1,932,674 and Lokku Limited (\$5,086,057).</p> <p>The Nuroa Internet SL and Dot Property Pte Limited acquisitions occurred within the last 12 months and the acquisition accounting and associated goodwill remains preliminary. Due to the proximity of these acquisitions to year end the Group used a 'fair value less cost to sell' model to assess the carrying value of the associated goodwill, considering recent market transactions and any indicators subsequent to year end.</p> <p>On finalisation of acquisition accounting goodwill is allocated to the Group's three segments i.e. Americas, EMEA and APAC, for each acquisition. The segments are also considered to be the Group's cash generating units ("CGU"). The Group uses a value in use model to assess the carrying value of the CGU's net assets.</p> <p>We focused on the goodwill generated from the Group's acquisition of Lokku Limited allocated to EMEA (\$3,394,016) and APAC (\$1,295,608) CGUs because the carrying value is material and the acquisition occurred in May 2015 and hence it is assessed as part of the net assets of the relevant CGUs.</p> <p>Assessing the carrying value of goodwill using a value in use model requires making estimates of uncertain future cash flows. For example, key customer volumes are not contracted and can fluctuate significantly. The significant assumptions include the discount rate, revenue growth and EBITDA margin, which support the forecast cash flows.</p> <p>The recoverable amount is estimated by the Group based on the Board approved business plans by CGU.</p>	<p>Our audit procedures related to the carrying value of the Lokku goodwill included:</p> <ul style="list-style-type: none"> assessing whether the CGUs appropriately included all assets, liabilities and cashflows directly attributable to the CGUs considering the Group's budgeting procedures (upon which the forecast cashflows in the model are based) and considering whether the cashflows for the forecast period were reasonable based on supportable assumptions, by comparing them to actual cashflows for previous years (having regard to cyclicalities) testing the mathematical accuracy of the cashflow forecasts evaluating the adequacy of the disclosures made in note 13, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards recalculating the Group's Weighted Average Cost of Capital (WACC) by CGU based on information specific to the Group and its industry <p>We involved our valuation experts to assess whether the Group's value in use model was in line with accepted valuation methodology including the treatment of assumptions for working capital, terminal value and the net present value calculation.</p> <p>We performed a range of sensitivity analyses on the discount rate, revenue growth and EBITDA margin assumptions.</p>

Other information

The directors are responsible for the other information. The other information comprises the Chairman's letter, and the Directors Report included in the Group's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf

Report on the remuneration report

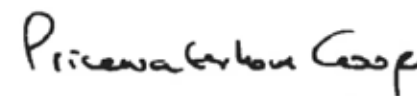
Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 40 of the directors' report for the year ended 31 December 2016.

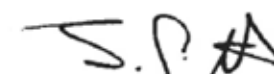
In our opinion, the remuneration report of Mitula Group Limited, for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Jon Roberts
Partner

Melbourne
8 March 2017

Shareholder information

2.8

The shareholder information set out below was applicable as at 8 March 2017

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Range	Total holders	Shares	Ordinary shares %	Options
1 - 1,000	134	99,003	0.046	-
1,001 - 5,000	499	1,543,883	0.724	-
5,001 - 10,000	253	2,028,204	0.951	-
10,001 - 100,000	425	13,977,237	6.557	-
100,001 and over	72	195,520,087	91.721	2,800,000
	1,383	213,168,414	100.000	2,800,000

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES	27,592,035	12.944 %
GONZALO ORTIZ SANZ	19,153,500	8.985 %
GONZALO DEL POZO SANCHEZ	17,967,500	8.429 %
MARCELO Badimón REVERTER	15,820,000	7.421 %
VELINGADU S L	10,827,500	5.079 %
UBS NOMINEES PTY LTD	10,754,921	5.045 %
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	9,628,011	4.517 %

	Ordinary shares	
Name	Number held	Percentage of issued shares
CAV INVESTMENT HOLDINGS HK LTD	9,521,012	4.466 %
ATHERLEY INVESTMENTS PTY LTD	8,861,000	4.157 %
BASILIAN INVESTMENTS S R L	8,680,000	4.072 %
CITICORP NOMINEES PTY LIMITED	8,295,812	3.892 %
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,248,126	3.869 %
TECMEDIA SERVICIOS Y CONSULTORIA S L	5,244,000	2.460 %
BNP PARIBAS NOMS PTY LTD <DRP>	3,233,727	1.517 %
FERNANDO PINILLOS BURGOS	3,015,000	1.414 %
JAVIER ERNESTO HERAS COLAS	3,015,000	1.414 %
JAVIER ORTIZ SANZ	2,985,500	1.401 %
RICARDO GOMEZ DE OLEA ARTACHO	2,715,000	1.274 %
BENJAMIN NEVE	2,699,915	1.267 %
MIRRABOOKA INVESTMENTS LIMITED	1,349,766	0.633 %
	179,607,325	84.256 %

Unquoted equity securities

Name	Number on issue	Number of holders
Options issued to Directors and Senior management as part of the IPO	2,800,000	6

Substantial holders

The following are shareholders that hold 5 % or more of the total votes attached to the voting shares or interests in the entity:

Ordinary shares			
Name	Note	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		27,592,035	12.94 %
GONZALO DEL POZO SANCHEZ	¹	26,647,500	12.50 %
MARCELO Badimón REVERTER	²	26,647,500	12.50 %
GONZALO ORTIZ SANZ	³	24,397,500	11.45 %
UBS NOMINEES PTY LTD		10,754,921	5.045 %
		116,039,456	54.44 %

- 1

Gonzalo del Pozo holds indirect interest in shares through an entity associated with him, Basilian Investments, SRL.
- 2

Marcelo holds indirect interest in shares through an entity associated with him, Velingadu, SL.
- 3

Gonzalo Ortiz indirect interest in shares through an entity associated with him, Tecmedia Servicios y Consultoria, SL.

Voting rights

The following are shareholders that hold 5 % or more of the total votes attached to the voting shares or interests in the entity:

As at 8 March 2017, there were 1,383 holders of ordinary shares of the Company.

The voting rights attached to ordinary shares are set out in the Company’s Constitution. In broad summary, but without prejudice to the provisions of those Rules, each shareholder present at a general meeting in person or by a duly appointed representative, proxy or attorney:

(a) on a show of hands, has one vote except if a shareholder has appointed more than one person as a representative, proxy or attorney, in which case none of those persons is entitled to vote or if a person is entitled to vote in more than one capacity, that person is entitled to only one vote; and

(b) on a poll, has one vote for each fully paid share held and for each other share held, has a vote in respect of the share equivalent to the proportion that the amount paid on that share is of the total amounts paid and payable on that share at the time a poll is taken but no amount paid on a share in advance of calls shall be treated as paid on that share.

As at 8 March 2017, there were 2,800,000 options over 2,800,000 unissued ordinary shares granted to Directors. There are no voting rights attached to either the options or the underlying unissued ordinary shares.

Officers

Mr Simon Baker (Chairman)
Mr Gonzalo del Pozo (Chief Executive Officer and Executive Director)
Mr Gonzalo Ortiz (Non-Executive Director)
Mr Joe Hanna (Independent Non-Executive Director)
Mr Sol Wise (Independent Non-Executive Director)
Mr Georg Chmiel (Independent Non-Executive Director)
Company Secretary: Mr Lee Mitchell

Registered Office

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Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney, New South Wales 2000 Australia
Telephone: 1300 737 760
Website: www.boardroomlimited.com.au
E-mail: enquiries@boardroomlimited.com.au

Securityholder Information

You can gain access to your securityholding information in a number of ways. The details are managed via the Company’s Registrar, Boardroom Pty Limited, and can be accessed as outlined below.

Please note your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

Investor Phone Access

Provides telephone access, call 1300 737 760 to speak to an operator.

Internet Account Access

Securityholders can access their details via the internet, Boardroom provides access via its InvestorServe online service. Go to www.investorserve.com.au to view your information.

Changing Shareholder Details

Changes to your name or address must be advised in writing to Boardroom Pty Limited. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

Shareholders will continue to receive all other shareholder information, including the Notice of Annual General Meeting and Proxy Form.

The Annual Report, other releases and general Company information are also available on the Company’s website at: www.mitulagroup.com.

