Annual Report 2017

MitulaGroup

Letter from the chairman

Dear Shareholders

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

From a financial performance perspective, 2017 was a very good year for the Mitula Group. The key financial highlights included:

- Revenues increased by 19.9 % to a record $33.6m;
- Yield per visit increased by 14.8 % to 4.2 cents;
- EBITDA margin was 34.7 %
- Cash flow from operations was $10.6m; and
- Cash at bank at the 31st December was $13.1m.

In addition, the business delivered strong operational growth as it executed its "Closer to the Transaction" strategy. The key operational highlights included:

- Continued successful implementation of the "Closer to the Transaction" strategy that sees new advertising and transaction-based products and services rolled out to extract greater value from each visit to the network of sites;
- Advertising and transaction-based revenues accounted for 23 % of total revenues;
- Total traffic to the Company's sites increased by 5.4 % to 807 million;
- The Company acquired Fashiola in March 2017 and successfully integrated it into the Mitula Group – providing a new transaction-based business unit;
- DotProperty delivered strong growth in its first full year under the Mitula Group's ownership; and
- The Company commenced real estate transactions in the Thailand market delivering 20 sales between October and December 2017.

2017 was also a year of strong investment in the roll out of our "Closer to the Transaction" strategy.

This strategy is designed to reduce the business' reliance on the sale of clicks by focusing on capturing more value from each visit to the Group's sites.

In rolling out this strategy, we have increased the staff in the business to 185 and invested significantly into advertising and transaction-based products and services. It is expected that the Company will increase the revenues from advertising and transaction-based products and services in 2018 thus monetising its 2017 investment.

To further drive the "Closer to the Transaction" strategy, the Board launched the Mitula Group Innovation Fund (MGIF) in January 2018. The Board has set aside $4.0 m to invest in new businesses that are aligned to the Group's strategy. The Fund will not be raising any funds externally and will directly report to the Board.

During the year, the Mitula Group share price suffered a setback due to the Company revising its full year forecasted revenues in July 2017. This re-forecast was driven by a configuration error that saw Google penalise the Mitula branded sites and thus reduce the volume of organic search traffic. This error has been corrected and the traffic has returned to expected levels.

The Board believes that the shares in the Mitula Group are undervalued and in February 2018 it announced a share buyback programme and thus leverage its free cash flow to support its shares.

Finally, we have started 2018 strongly with our second-best visitation month with 75 million visits to our network of sites.

On behalf of the Board, I would like to thank our CEO, Gonzalo del Pozo, and the management team for all their efforts over the course of the year.

We look forward to the continued growth and success of the Mitula Group in 2018.

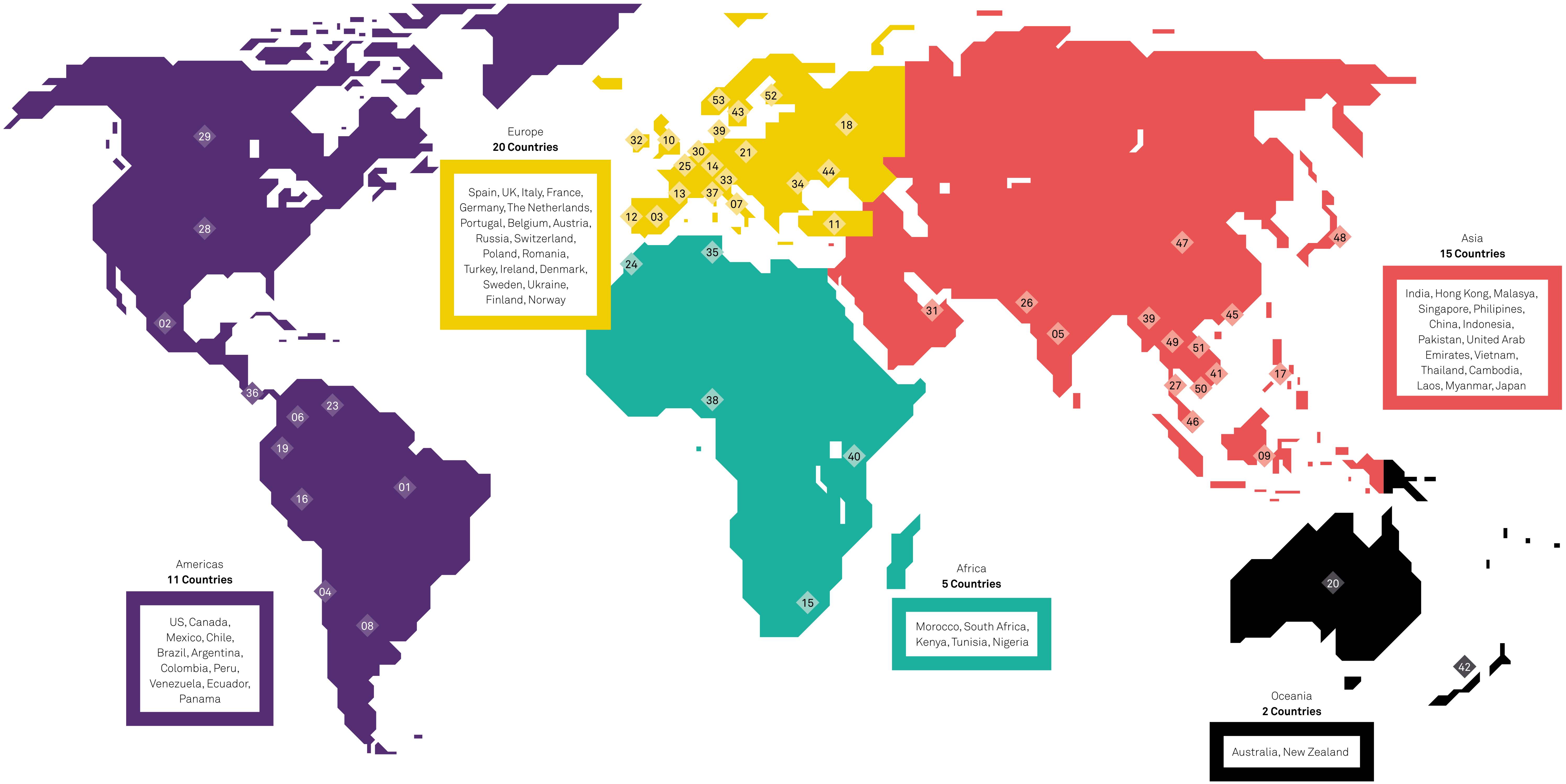
Simon Baker
Chairman

General summary

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
52 Finland
53 Norway

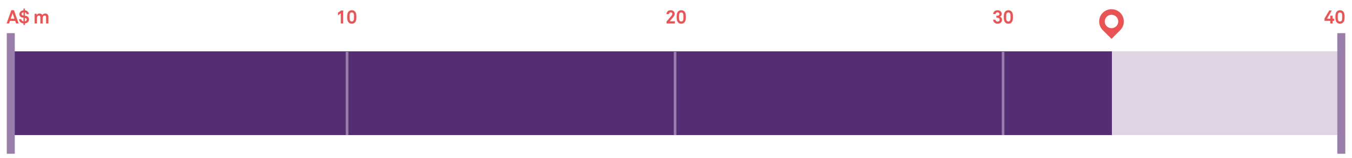


Mitula Group in numbers

As of 31st of January 2018

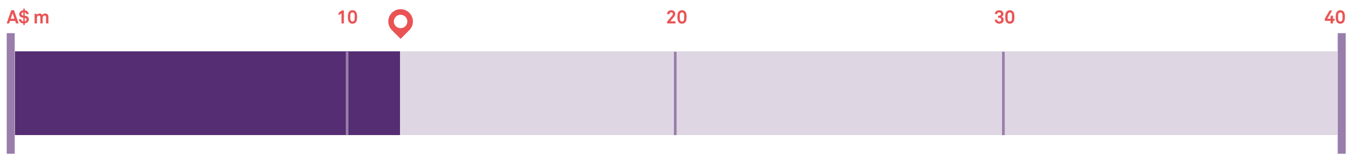
A$ 33.6m

REVENUE 2017



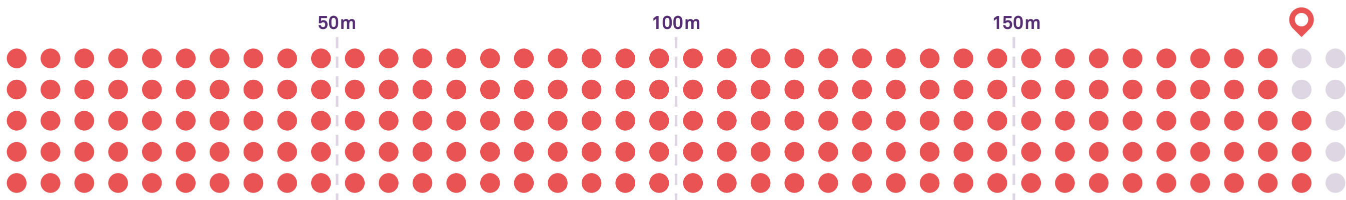
A$ 11.6m

EBITDA 2017



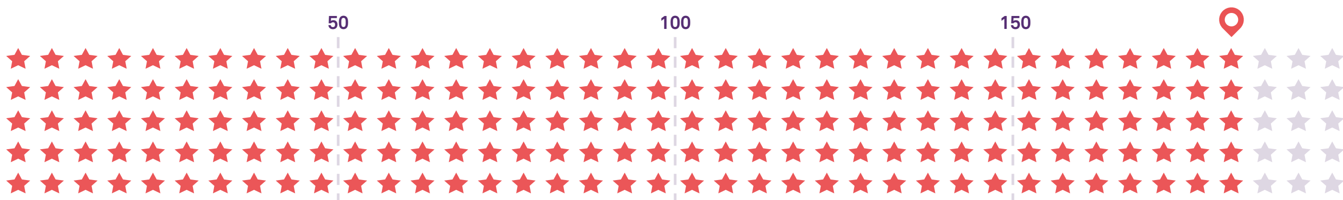
193m

QUARTERLY VISITS



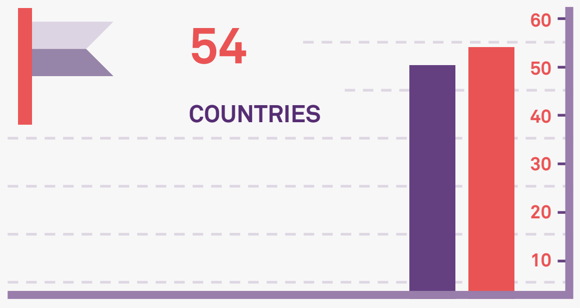
185

EMPLOYEES



54

COUNTRIES



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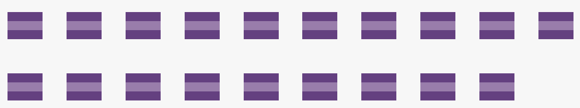
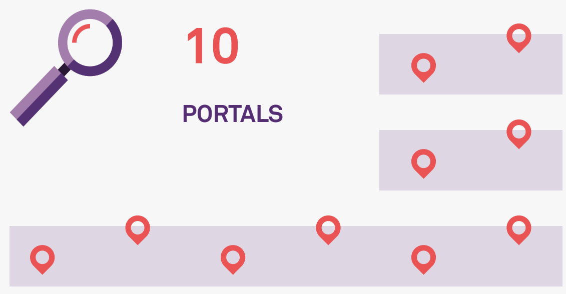
LANGUAGES



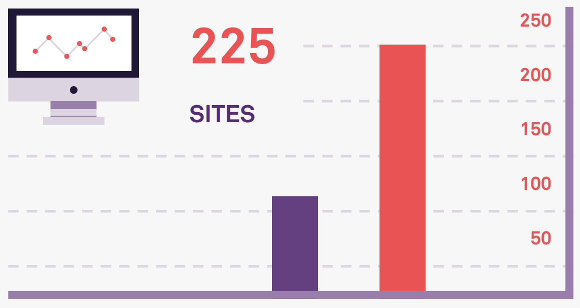
10

PORTALS



225

SITES



Corporate Directory

1.1

1


2


3


4


5


6


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

Directors' Report

1.2

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 2017

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 23 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 was founded in 2009 and is a leading digital classifieds group operating vertical search sites, property portals, and a transaction-based business unit.

In particular:

- it operates 110 vertical search sites across property (for sale and for rent), employment, automotive and fashion in 52 different countries and 19 different languages. These sites operate under the Mitula, Nestoria, Nuroa, Kleding and Fashiola brands;
- it operates 10 property portals in 9 South East Asian countries under the DotProperty and Thailand-Property brands; and
- in mid 2017, it launched a property transaction business unit initially focused on the Thailand market.

The Mitula Group's vertical search sites provide visitors with the ability to search, with one query, through millions of listings from more than 15,000 classifieds sites. These sites include portals (property, employment and automotive), online fashion stores, general classified sites, real estate agents, and property developers.

Vertical search sites provide visitors with a more convenient and efficient search experience than performing a search on a single classifieds site.

The Mitula Group also operates property portals in selected South East Asian markets. These portals source their listings directly from agents and developers and generate visitors through a number of channels including the Mitula Group vertical search sites.

In January 2018, the Mitula Group generated 75 million visits to its network of vertical search and property portal sites.

The Mitula Group monetizes visits to these sites through a range of products and services including:

- Clicks based revenues: Google AdSense and the sale of clicks to advertisers on a cost-per-click ("CPC") basis.
- Advertising based revenues: Display advertising, listing sales (on portals), native ads, and other advertising products that are monetised on a CPM, CPL or CPA basis.
- Transaction based revenues: The Mitula Group receives part of what the buyer spends on purchasing the advertised product.

In 2017 the Mitula Group launched a property transaction business in Thailand that sources listings directly from new homes developers and advertisers on the Mitula Group vertical search sites and property portals to drive buyers to the listings. The Mitula Group receives a percentage of the purchase price paid by the buyer.

In January 2018, the Mitula Group launched the Mitula Group Innovation Fund to invest in businesses that can leverage the Mitula Group assets including its brand, visitation, data, and technology.

Dividends

The Group is not proposing to pay dividends in Financial Year 2017 (Financial Year 2016: nil). There are no dividend or distribution reinvestment plans in operation.

Significant changes in state of affairs

Business combination – Fashiola

On the 2nd of March 2017, Mitula Group acquired 100 % of the issued share capital of Kleding BV, a company in the Netherlands. The total purchase consideration was approximately $15.0 million (€10.9 million) and was funded by cash reserves ($14.1 million) as well as the issue of 1.0 million new shares in Mitula Group Limited.

At acquisition, Kleding BV operated 16 fashion vertical search sites under the Kleding.nl brand in the Netherlands and the Fashiola brand in Denmark, Australia, United Kingdom, Germany, Austria, Sweden, France, Poland, Italy, Switzerland, Brazil, Spain, Portugal and Belgium (French and Dutch sites). These sites aggregate over 18 million products from over 1,000 different online stores across men's and women's clothes, shoes and accessories.

Visitors to these sites select an item they are interested in and then click out to the originating online store. These click outs are monetised on a cost per acquisition basis whereby Kleding BV receives a percentage of the total spend by the user on the destination site.

The Kleding.nl and Fashiola sites also provide display advertising opportunities for fashion brands to reach their highly targeted and relevant audience.

Profit contribution from Kleding BV is $1,373,490 from the date of incorporation into the Mitula Group (10 months starting on March 2017) to 31st December 2017.

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.

- Operating expenses: Total operating expenses.
- EBITDA: Earnings before interest, tax and depreciation and amortisation.
- NPAT: Net profit after tax, equivalent to profit after tax.
- Operating Cash Flow: Net cash flow from operating activities adjusted for payment of costs associated with acquisition of subsidiaries, income tax and interest received.

Review of operations

$'000	12 Months to 31 Dec 2017	12 Months to 31 Dec 2016	Growth
Revenue	33,595	28,023	19.9%
AMERICAS	7,171	7,528	(4.7)%
APAC	7,035	6,819	3.2%
EMEA	19,389	13,676	41.8%
Operating expenses	21,948	16,092	36.4%
EBITDA	**11,647**	**11,931**	**(2.4)%**
EBITDA margin	34.7%	42.6%	
NPAT	**5,278**	**8,174**	**(35.4)%**
NPAT margin	15.7%	29.2%	
Operating cash flow	10,618	11,012	(3.6)%
Cash balance (end of period)	13,141	20,462	(35.8)%

Reconciliation of adjusted operating expense

$'000	12 Months to 31 Dec 2017	12 Months to 31 Dec 2016
Cost of sales	(7,739)	(3,515)
Employee benefit expenses	(8,612)	(8,139)
Operational expenses	(2,106)	(1,513)
Technology expenses	(1,357)	(1,004)
Office expenses	(1,123)	(842)
Corporate expenses	(1,010)	(1,078)
Rounding	(1)	(1)
Operating expenses	**(21,948)**	**(16,092)**

Revenues have grown by $5.6 million (19.9 %), due to strong performance in EMEA increasing revenues by $5.7 million (41.8 %).

Operating expenses have increased by $5.9 million (36.4 %). The key driver of this increase comes from traffic acquisition ($4.2 million), primarily as a result of the February 2017 drop in traffic that required additional acquired traffic.

EBITDA has decreased by 2.4 % to $ 11.6 million, achieving a 34.7 % EBITDA margin.

The company maintains a strong cash position of $13.1 million. The reduction in cash held during the year by 35.8 %, was primarily due to the $14.1 million cash payment in the acquisition of Kleding BV. The company has generated $10.6 million from operations.

Revenue has been adversely impacted for unfavourable exchange rates during 2017. Revenues in 2017 under 2016 FX would have been 1.6 % higher ($0.5 million).

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 SEO and traffic 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.

- The Group has undertaken a strategic shift to address structural changes occurring in the online classified advertising market, through increasing potential value by leveraging Mitula network traffic toward advertising and transaction based products and revenues. This risk extends to moving beyond business to business model and into business to consumer model. The Group has identified and implemented a range of risk assessment procedures and controls as it undertakes these business expansion opportunities.

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 *www.mitulagroup.com/investors#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 30th January 2018 Mitula Group announced the launch of the "Mitula Group Investment Fund". The Company will allocate up to $4.0 million for investment opportunities in 2018. The Fund's mandate is to invest in innovative new businesses that are aligned with Mitula Group's "Closer to the Transaction" Strategy.

On the 26th February 2018 the Group announced, as part of its capital management policy, an on-market buy-back programme for up to 10% of the Company's issued capital for a period of up to 12 months. The programme is expected to commence on or after 15 March 2018 and ending 12 months after the date of the announcement. No target price for the buy-back has been set and the number of shares and timing of purchase under the buy-back will be dependent on the Company's share price and market conditions from time to time. The Company has reserved the right to vary, suspend or terminate the buy-back at any time.

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 (resigned 1 March 2017) 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	9,611,012
	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	26,822,228
	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	8,934,770
	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.

Gonzalo Ortiz	Non-Executive Director	
Experience and expertise	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	24,507,500
	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 Ltd 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 Non-executive Director of Centrepoint Alliance Ltd (ASX:CAF) and iCar Asia Ltd (ASX:ICQ).	
Special responsibilities	Member of the Audit and Risk Committee (appointed 1 March 2017)	
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 2017, 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	17	17	1	1	-	-
Gonzalo del Pozo	17	17	-	-	-	-
Gonzalo Ortiz	17	17	-	-	-	-
Joe Hanna	17	17	4	4	-	-
Sol Wise	17	16	4	4	-	-
Georg Chmiel	17	17	3	3	-	-

All directors were eligible to attend all meetings of directors held.

Remuneration report

Introduction

This Remuneration Report for the year ended 31 December 2017 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.

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 2017 were as follows:

Non Executive Directors		Term as KMP
Simon Baker	Independent non-executive Chairman	Full financial year
Sol Wise	Independent non-executive Director	Full financial year
Gonzalo Ortiz	Non-executive Director	Full financial year
Joe Hanna	Independent non-executive Director	Full financial year
Georg Chmiel	Independent non-executive Director	11 Months (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 Badimon	Chief Operating Officer	Full financial year
Ricardo Gómez de Olea	Chief Financial Officer	Full financial year

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 (subject to shareholder approval) and NED fee levels within the overall permitted fee pool.

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 with a majority of independent NEDs, for the year ended 31 December 2017:

- 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 *www.mitulagroup.com/investors#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 (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).

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 claw-back 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 and during other prescribed black-out periods.

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;
- provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders; and
- provide an effective retention strategy for key executives.

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 ultimately 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). Variable or performance-linked compensation comprises cash bonus and/or share based payments, such as performance rights. 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 relevant to compensation 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 2017 consisted of both fixed and variable compensation, as detailed below.

Fixed remuneration

Fixed compensation consists of a base salary and, where required by local law, employer superannuation or pension contributions. Fixed compensation levels are set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed compensation is reviewed at least annually by the Board and/or the Remuneration and Nomination Committee and the process consists of a review of the Company's performance, relevant comparative compensation in the market and, where appropriate, external advice on policies and practices. Employees receive their fixed compensation in cash. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Company's size the Company generally undertakes its own review of these matters, which it does on an ongoing basis, but does from time to time engage remuneration consultants where considered necessary.

KPIs are individually tailored by the Board, based on recommendations and input from the Remuneration & Nomination Committee in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Company 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 Company.

Performance linked or variable compensation

All employees are potentially eligible to receive at risk incentive payments and/or securities (shares or performance rights) 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 as well as tenure with the Company (in the case of LTI arrangements). These factors include traditional financial considerations such as operating performance and measures such as total shareholder return. The purpose of these payments is to reward employees for their contribution and loyalty to the Company, as a retention strategy and, where relevant, to further align the interests of executives with the interests of shareholders.

The Remuneration & Nomination Committee makes a recommendation, usually 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).

The CEO has the discretion to recommend the offer of rights or options to acquire ordinary shares or the direct issue of shares to any member of staff in recognition of exemplary performance. Any issue of rights or options proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements.

The Board considers that the performance linked compensation structure is operating effectively.

Mitula Group Global Employee Share Plan (ESPP)
In October 2016 the Board adopted the Mitula Group Employee Share Plan (ESPP) which is the Group's all-employee share plan, under which all employees and executives with at least 1 years' service are entitled to contribute up to 2.5% of their base remuneration to acquire shares in Mitula Group Limited. NEDs are not eligible to participate in the ESPP.

Employees eligible to participate in the ESPP are permitted to allocate a maximum of up to 2.5% of their gross annual fixed salary for the purchase of Mitula Group shares. The ESPP operates on a half-yearly basis, and participation is voluntary.

For each share purchase made using funds contributed by a participating employee, the participant receives a right to acquire a "matched share", which vests provided the participant remains employed by the Group on the date that is 6 months after the date that the underlying share were acquired by the employee. All KMP and other executives are eligible to participate in the ESPP.

The Board has the discretion to either purchase the underlying shares on-market or to issue new shares.

During the 2017 year a total of 130,928 shares were acquired under the ESPP comprising 65,464 shares purchased by participating employees and executives and 65,464 "matching shares" acquired by the Company for the benefit of those participating employees.

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 2017 year is detailed in the table 'Remuneration of Key Management Personnel' in section 6.

On 26 July 2017 the Company announced that all NED's had agreed to take their fees in the form of shares at a price of $1.00 from 1 July 2017 onwards until further notice.

The remuneration payable to the NEDs for the balance of 2017 was $150,000 in aggregate and therefore the Company will issue, subject to shareholder approval (to be sought at the Company's 2018 AGM), 150,000 fully paid ordinary shares to the NEDs in satisfaction of their remuneration entitlements for the balance of the 2017 financial year.

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 2017 Financial Year executives were remunerated based on fixed remuneration as well as variable remuneration consisting of short term incentive opportunities and, in the case of the CEO, a long term incentive opportunity. Variable or performance-linked compensation comprised share based payments only.

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
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, and 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 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 executives.

In 2017 the variable remuneration component applicable to executives comprised a STI and, in the case of the CEO, a LTI.

Short Term Incentives (STI) generally
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 Remuneration 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.

Variable compensation – Short Term Incentive (STI) for period 1 January 2017 to 31 December 2017

The Board implemented a share-based STI plan for the 12-month period ending 31 December 2017. Under the STI plan the Board resolved to issue performance rights to various executives and senior management employees entitling them to be issued with one fully paid ordinary share in the Company for each performance right upon vesting. Vesting was subject to attainment of relevant performance criteria. Summary details are as follows:

Eligibility	Executives and senior management only
Grant date	Effective 1 January 2017
Vesting date	1 March 2018 (subject to achievement of performance targets)
How is it paid or provided?	100 % of any STI award is delivered in Mitula Group Shares contingent on the performance rights vesting. Vesting of each performance rights depends on whether or not the relevant performance measures have been satisfied.
How much can employees earn?	Executives have a maximum STI opportunity of 30 % of fixed remuneration for the 12 month period. For management employees the quantum is limited to 16.66 % of the base remuneration. STI is awarded for achieving the objectives set at the commencement of the performance period.
How is performance measured?	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. The STI performance targets and weightings were identical across all executives and senior management employees. The relevant key performance indicators (KPIs) covered financial performance for the 2017 financial year. For each KPI, a target is set. A summary of the target measures and weightings are set out in the table below:

Target	Weighting
Revenue	70 %
EBITDA	30 %

When is it paid or provided?	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.

Performance outcomes for – Short Term Incentive (STI) for period 1 January 2017 to 31 December 2017

The Company announced on 26 July 2017 that no STI awards for FY 2017 (both cash and equity based) would be awarded having regard to the quantum of the Company's adjusted forecast financial performance for 2017.

The Board and the Remuneration Committee also reviewed the Group's performance for the 12 month period to 31 December 2017 and the Company notes that following this review it was determined that none of the relevant KPIs applicable to the 2017 STI Plan were achieved and all performance rights applicable to the 2017 STI Plan have failed to vest and have now lapsed. This is shown in the following table.

	Weighting for STI FY'17	Performance for STI FY17	Final achievement of STI FY17
Revenue target	70 %	Did not achieve Target	Nil
EBITDA target	30 %	Did not achieve Target	Nil

Accordingly, no shares were issued to any participating executive or employee under the Company's STI program for 2017. An amount of nil (2016: $179,075) has been recognised in the 2017 financial year by way of share based expense in respect of the 2017 STI Plan.

The Company notes that 64,728 shares were issued to the CEO during 2017 as a result of vested STI awards based on performance against KPIs set under the FY 2016 program. A further 131,739 shares were acquired on market and allocated to employees and executives, also based on performance against KPIs set for the FY 2016 STI program including 41,953 shares allotted to the COO, Mr Marcelo Badimon and 23,973 shares to the CFO, Ricardo Gómez de Olea.

Variable compensation – LTI Plan

In October 2016 the Board resolved to introduce a Long Term Incentive Plan (LTIP) for the Group primarily as a retention strategy for key executives 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 Board is responsible for administering the LTIP in accordance with the LTIP rules and the terms and conditions of the specific grants to participants in the LTIP. The operation of the LTIP is subject to compliance with the ASX Listing Rules, Corporations Act and other applicable laws.

Awards under the LTI plan are issued by way of performance rights. The key terms of the LTIP are as follows:

Testing and vesting

- Grants under the LTIP will be tested at the end of the applicable measurement period. No retesting will occur. If the relevant performance conditions are satisfied then the Performance Rights will vest 12 months after the end of the measurement period provided the relevant executive remains in office at that time.
- Each Performance Right which vests will be converted into one fully paid ordinary share. No moneys are payable upon vesting of the Performance Rights.
- If the relevant performance/vesting conditions are not satisfied at the relevant time, the applicable Performance Rights will lapse and be forfeited.
- One the Performance Rights have vested, the board will decide at that time whether to purchase the underlying shares on-market or to issue new shares. This decision will depend on factors such as dilution and cost to the Company.

Ranking of shares

Upon vesting of the Performance Rights, shares received by participants will rank equally with ordinary shares currently on issue.

Voting and dividend rights

- Performance Rights do not carry any voting rights, and participants are not entitled to dividends, until Performance Rights have vested and converted into ordinary shares.
- Shares allocated on vesting of the Performance Rights will carry full dividend and voting rights from the date of allocation.

Change of control event
The Directors have discretion to determine that Performance Rights will vest in the event of a change of control, subject to pro rata performance in line with the vesting conditions up to the relevant date.

Reorganisation event
In the event of any reorganisation of the issued capital of the Company, the Performance Rights will be reconstructed in accordance with the requirements of the ASX Listing Rules applicable to a reconstruction of capital at the time of the reorganisation.

Participation in capital raising
A participant may only participate in new issues of securities if ordinary shares have been allocated to the participant in accordance with the LTIP Rules, before the date of determining entitlements to the issue.

Cessation of employment
If a participant in the LTIP ceases employment with the Company before the vesting conditions are tested, any Performance Rights will lapse and be forfeited. Performance Rights will also lapse if the ongoing employment condition described above is not satisfied.

If cessation of employment occurs due to death, Total Permanent Disablement or redundancy, or where the Board otherwise approves, Performance Rights may vest at the Board's discretion.

Where a participant acts fraudulently, dishonestly, joins a competitor, or is, in the Board's opinion, in breach of his or her obligations to the Company, then any unvested Performance Rights will lapse and be forfeited.

No performance rights have been issued under the LTIP except to the CEO, Mr Gonzalo del Pozo.

A total of 387,220 performance rights were granted to Mr Gonzalo del Pozo on 23 June 2017 following shareholder approval received at the Company's 2017 AGM as follows:

Instrument	Quantum	Grant date	Measurement period	Vesting date (subject to achievement of performance conditions)
Performance Rights (LTI) – Tranche 1	107,891	30 September 2016 (subject to shareholder approval)	1 July 2016 to 31 December 2016 (6 months)	31 December 2017
Performance Rights (LTI) – Tranche 2	279,329	30 September 2016 (subject to shareholder approval)	1 January 2017 to 31 December 2017 (1 year)	31 December 2018

All performance rights issued to the CEO were subject to the following performance conditions:

- An overriding condition that the 3-month VWAP at the end of the relevant measurement period must be more than the VWAP for the 3-month period immediately prior to the start of that measurement period.
- Achievement of total revenue compared to targets set by the Board in relation to 70% of the Performance Rights to be granted in each tranche.

- Achievement of EBITDA targets set by the Board (EBITDA) in relation to 30% of the Performance Rights to be granted in each tranche.
- Continued employment on the relevant vesting date

Performance outcomes for – Long Term Incentive (LTI)
The Board and the Remuneration Committee reviewed the Group's performance for the 12 month period to 31 December 2017 for the purposes of determining the LTI outcome for Mr del Pozo under the LTIP described above.

As the 3-month VWAP performance condition (and other relevant performance conditions were not satisfied) all performance rights issued to Mr del Pozo lapsed on 31 December 2016 and 31 December 2017 respectively according to their terms.

Accordingly, an amount of nil (2016: 240,717) has been recognised in the 2017 financial year by way of share based expense in respect of the 2017 LTI Plan.

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 party[1]) 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	$397,797.48AUD (€270,000)
Termination	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 Badimon, who are directors and shareholders of the Company. The CFO, Ricardo Gómez de Olea, is also a shareholder of Tadium Invest, SL.

Chief operations officer
The services of the COO, Marcelo Badimon, 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	$257,843.46 AUD (€175,000)
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	$147,344.17 AUD (€100,000)
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.

Treatment of entitlements upon termination of employment (by virtue either of the service contracts or the terms and conditions of the Mitula Group Performance Rights Plan) for all three executives above, are as follows:

	Notice period	Payment in lieu of notice	Treatment of short-term incentives	Treatment of long-term incentives
Termination by company (death, disablement, redundancy etc)	6 months	6 months	Any STI is at the Board discretion	At the discretion of the Board
Termination for cause	15 days	15 days	Any STI is at the Board discretion	Unvested and vested but unexercised awards forfeited
Resignation	6 months	-	Any STI is at the Board discretion	Unvested awards forfeited

6. Remuneration Expenses for KMP

2017	Date of appointment	Fixed remuneration						Total	Proportion of remuneration	
		Cash salary[1]	Accruals[2]	ESPP 2017	ESPP 2HY17 accruals	STI/LTI	Share options		Performance related	Fixed
		$	$	$	$		$	$	%	%
Non Executive Directors										
Simon Baker	01/04/2015	40,000	23,400	-	-	-	-	63,400	0%	100%
Sol Wise	11/03/2015	30,000	17,550	-	-	-	-	47,550	0%	100%
Gonzalo Ortiz	15/04/2015	25,000	14,625	-	-	-	-	39,625	0%	100%
Joe Hanna	11/03/2015	30,000	17,550	-	-	-	-	47,550	0%	100%
Goerg Chmiel	18/01/2017	22,918	14,625	-	-	-	-	37,543	0%	100%
Executive Director										
Gonzalo del Pozo	17/04/2015	397,797	-	3,368	5,441	-	-	406,606	2%	98%
Executives										
Marcelo Badimon	17/04/2015	257,843	-	2,182	3,526	-	-	263,551	2%	98%
Ricardo Gómez de Olea	17/04/2015	147,344	-	1,247	2,015	-	-	150,606	2%	98%
Total		**950,902**	**87,750**	**6,797**	**10,982**	**-**	**-**	**1,056,431**	**2%**	**98%**

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 Relates to the decision of the non-executives directors to take their directors' fees for the balance of 2017 by way of shares at a deemed issue price of $1.00 per share. An accrual has been raised in respect of these shares even though the shares have not been issued pending shareholder approval. This approval will be sought at the Company's 2018 AGM.

2016	Date of appointment	Fixed remuneration	Variable remuneration						Total	Proportion of remuneration	
		Cash salary[3]	Cash STI[3]	Target	Integration bonus cash[1]	Total cash bonus	Accrual for ESPP, STI and LTI	Share options[4]		Performance related	Fixed
		$	$	%	$			$	$	%	%
Non Executive Directors											
Simon Baker	1/04/2015	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%	8,385	30,388	39,609	51,250	270,191	45%	55%
Total		**1,061,701**	**119,915**		**45,702**	**165,617**	**266,000**	**574,000**	**2,067,318**	**51%**	**49%**

3 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.

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

7. Current shareholding for KMP other transactions

Shareholdings for KMP	Balance at 1 January 2017	Granted as remuneration[1]				Purchased / Allotted (including under ESPP)	On exercise of options / Performance rights	Sold	Net change	Balance at 31 December 2017
		ESPP 2H2016 match	ESPP 1H2017 match	STI 2H2016	Total granted as remuneration					
Non-Executive Directors										
Simon Baker	**9,521,012**	-	-	-	-	90,000	-	-	90,000	**9,611,012**
Sol Wise	**40,000**	-	-	-	-	-	-	-	-	**40,000**
Gonzalo Ortiz	**24,397,500**	-	-	-	-	110,000	-	-	110,000	**24,507,500**
Joe Hanna	**8,861,000**	-	-	-	-	73,770	-	-	73,770	**8,934,770**
Georg Chmiel	**40,000**	-	-	-	-	-		-	-	**40,000**
Executive Directors										
Gonzalo del Pozo	**26,647,500**	5,735	5,344	64,728	75,807	121,079[1]	-	-	196,886	**26,844,386**
Executives										
Marcelo Badimon	**26,647,500**	3,717	3,463	41,953	49,133	117,180[1]	-	-	166,313	**26,813,813**
Ricardo Gómez de Olea	**2,715,000**	2,124	1,979	23,973	28,076	4,103[1]	-	-	32,179	**2,747,179**
Total	**98,869,512**	**11,576**	**10,786**	**130,654**	**153,016**	**516,132**	**-**	**-**	**669,148**	**99,538,660**

1 Shares acquired under the ESPP are held in the name of the trustee under the rules governing the ESPP and not in the name of the relevant participant. For completeness, the above shareholdings for KMP include the shares held by the trustee for the benefit of the relevant KMP even though they may not have vested.

8. Other transactions

8.1 Grants, modifications and exercise of options and rights over equity instruments granted as compensation

2017

On 23 June 2017 the Company issued 387,220 performance rights to Mr Gonzalo del Pozo as part of the LTI component of his remuneration. All of these performance rights have lapsed by virtue of the VWAP vesting condition having failed to be satisfied.

Other than the performance rights described above and elsewhere in the remuneration report, 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 2017.

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. However, in respect of the 2016 STI program, the CEO, Mr del Pozo, the COO, Mr Marcelo Badimon, the CFO, Ricardo Gómez de Olea and certain other executives became entitled to a STI award based on performance against KPI's set for the 2016 financial year. All members of the KMP and certain other executives received 50% of their respective STI awards in Company shares at an implied issue price of $0.8474 each, being the Company's VWAP for the 3 month period ending 31 December 2016. The Board adopted this structure on the basis that it conserved the Company's cash and further aligned the interests of the Company's executives with those of its shareholders.

Accordingly, 64,728 shares were issued to the CEO during 2017 based on performance against KPIs set under the FY 2016 STI program. A further 131,739 shares were acquired on market and allocated to employees and other executives, also based on performance against KPIs set for the FY 2016 STI program including 41,953 shares allotted to the COO, Mr Marcelo Badimon and 23,973 shares to the CFO, Ricardo Gómez de Olea.

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 during the year.

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. Table below shows measures of the group's financial performance in 2017 as required by the *Corporations Act 2001*. Comparatives for the years prior to 2015 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	2017	2016	2015	2014	2013
Closing share price as at 31 December	0.58	0.87	0.99	-	-
Revenue	33,595	28,023	20,568	N/A	N/A
EBITDA	11,647	11,931	7,545	N/A	N/A
Basic EPS	2.47	3.89	1.37	-	-
Total dividends (cents per share)	-	-	-	-	-

10. Actual remuneration earned by executives in 2017

The actual remuneration earned by executives in 2017 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 2017. These amounts may differ from the remuneration details prepared in accordance with statutory obligations and accounting standards on page 68 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 2016 (share based)	ESPP (matched shares)	Total actual remuneration earned
	$	$	$	$	$
Gonzalo del Pozo	397,797	-	34,953	6,982	439,732
Marcelo Badimón	257,843	-	22,655	4,525	285,023
Ricardo Gómez de Olea	147,344	-	12,945	2,586	162,875

Signed in accordance with a resolution of the Board of Directors.

Simon Baker
Chairman

Dated this 13 March 2018

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 2017 corporate governance statement is dated as at 12 March 2018 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on 12 March 2018. 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 *www.mitulagroup.com/corporate-governance/*.

Shares under option

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.

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 $25,000 (2016:$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:

Network firms of Pricewaterhouse Coopers Australia

The non-audit services provided by network firms of PricewaterhouseCoopers Australia during 2017 and 2016 are as follows.

	31 December 2017	31 December 2016
	$	**$**
Due diligence services	44,132	107,945
Tax consulting services	-	28,018
Consulting services	-	47,541
Total remuneration for other services of network firms of PricewaterhouseCoopers Australia	**44,132**	**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.

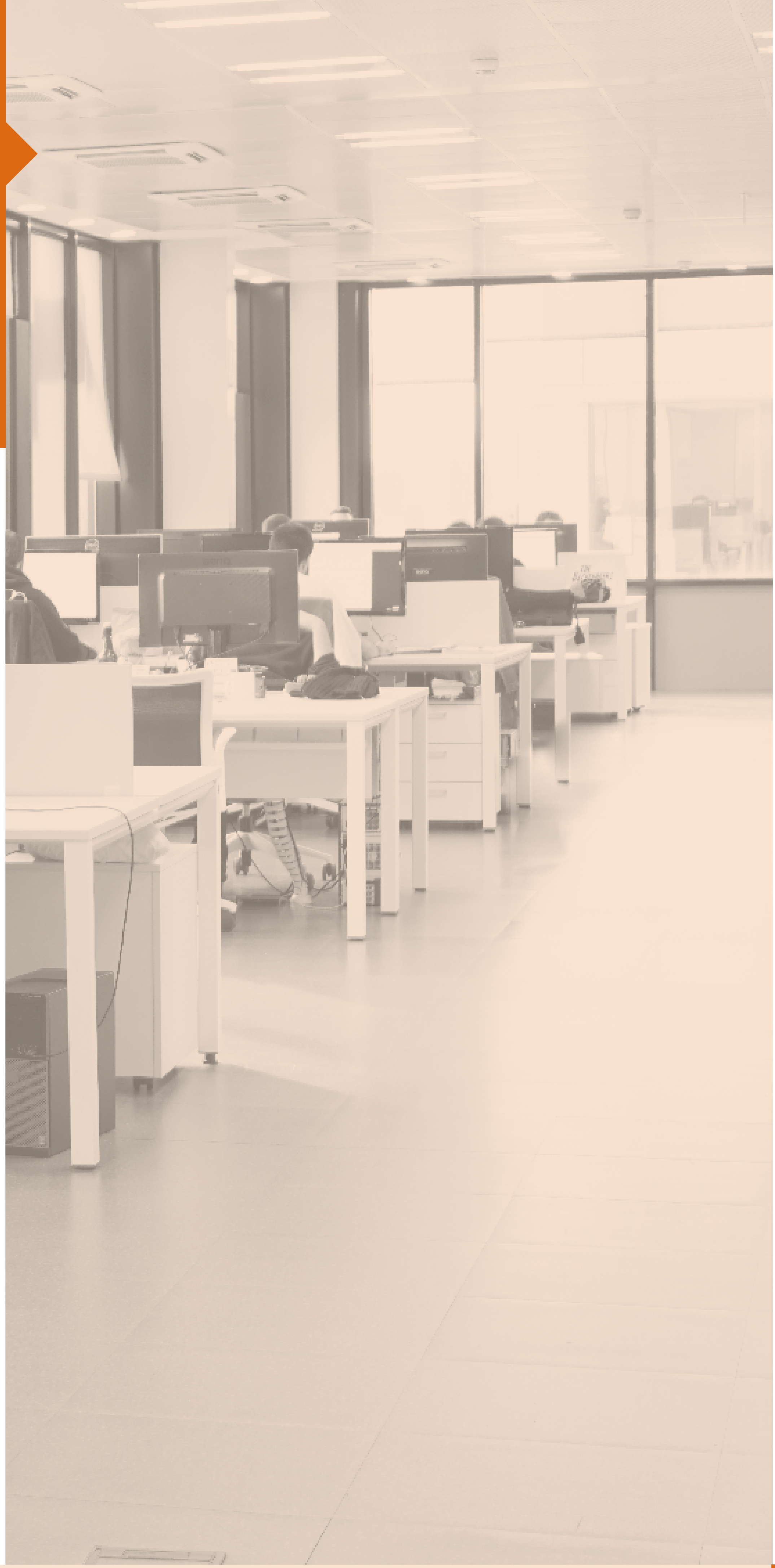
The Directors' Report is made in accordance with a resolution of Directors.

Simon Baker
Chairman

Dated this 13 March 2018

Auditor's independence declaration

1.3



Auditor's Independence Declaration

As lead auditor for the audit of Mitula Group Limited for the year ended 31 December 2017, 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
13 March 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Financial Statements

2.0

Consolidated Statement of Comprehensive Income

2.1

For the year ended 31 December 2017

	Notes	31 December 2017	31 December 2016
		$	$
Revenue	6	33,595,067	28,022,988
Cost of sales	6	(7,738,577)	(3,515,307)
Gross profit		**25,856,490**	**24,507,681**
Employee benefit expenses	7	(8,612,291)	(8,139,118)
Operational expenses		(2,106,267)	(1,513,075)
Technology expenses		(1,357,482)	(1,004,294)
Office expenses		(1,123,026)	(841,811)
Corporate expenses		(1,010,457)	(1,077,977)
Earnings before interest, tax, depreciation and amortization and foreign exchange differences		**11,646,967**	**11,931,406**
Depreciation and amortisation	7	(3,658,294)	(1,974,293)
Net finance Income / (Expense)	7	35,942	316,651
Net foreign exchange gains/(losses)	7	(1,110,204)	208,483
Profit before tax		**6,914,411**	**10,482,247**
Income tax	8	(1,636,690)	(2,308,524)
Profit for the year		**5,277,721**	**8,173,723**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		904,245	(554,725)
Other comprehensive income for the period, net of tax		**904,245**	**(554,725)**
Total comprehensive income for the period		**6,181,966**	**7,618,998**
Total comprehensive income attributable to owners		**6,181,966**	**7,618,998**

Earnings per share for profit attributable to the ordinary equity holders of the company		**Cents**	**Cents**
Basic earnings per share	22	2.47	3.89
Diluted earnings per share	22	2.44	3.84

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

Consolidated Balance Sheet

2.2

As at 31 December 2017

	Notes	31 December 2017	31 December 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents	9	13,140,802	20,462,205
Trade and other receivables	10	7,711,397	5,468,174
Current tax assets		212,798	210,387
Other current assets		15,181	15,670
Total current assets		**21,080,178**	**26,156,436**
Non-current assets			
Property, plant and equipment	11	922,846	899,577
Goodwill	12, 16	27,882,478	18,952,676
Other intangible assets	12, 16	11,420,575	6,261,162
Other non-current financial assets	13	521,368	547,956
Deferred tax asset	15	180,671	201,780
Total non-current assets		**40,927,938**	**26,863,151**
Total assets		**62,008,116**	**53,019,587**

	Notes	31 December 2017	31 December 2016
		$	$
Liabilities			
Current liabilities			
Trade and other payables	14	2,329,330	1,478,790
Current tax liabilities		799,066	500,506
Total current liabilities		**3,128,396**	**1,979,296**
Non-current liabilities			
Other liabilities	13	294,050	351,739
Deferred tax liability	15	2,900,797	1,795,366
Total non-current liabilities		**3,194,847**	**2,147,105**
Total liabilities		**6,323,243**	**4,126,401**
Net assets		**55,684,873**	**48,893,186**
Equity			
Contributed equity	18	33,826,233	32,136,903
Other equity	16.2	1,302,853	2,605,706
Reserves	19	1,263,383	1,603,535
Retained earnings		18,755,109	12,913,992
Foreign currency translation reserve		537,295	(366,950)
Total equity		**55,684,873**	**48,893,186**

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

Consolidated Statement of Changes in Equity

2.3

For the year ended 31 December 2017

Consolidated entity	Notes	Contributed equity	Other equity	Other reserves	Retained earnings	Foreign translation reserve	Total equity
		$	$	$	$	$	$
Balance at 1 January 2016		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	16.2	-	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**
Balance at 1 January 2017		**32,136,903**	**2,605,706**	**1,603,535**	**12,913,992**	**(366,950)**	**48,893,186**
Profit for the period		-	-	-	5,277,721	-	5,277,721
Other comprehensive income		-	-	-	-	904,245	904,245
Total comprehensive income for the period		**-**	**-**	**-**	**5,277,721**	**904,245**	**6,181,966**
Transactions with owners in their capacity as owners							
Shares granted on business acquisition issued	16.2, 18	1,629,457	(1,302,853)	-	563,396	-	890,000
Share based payments	19, 20	59,873	-	(340,152)		-	(280,279)
Other movements in equity		-	-	-	-	-	
Balance at 31 December 2017		**33,826,233**	**1,302,853**	**1,263,383**	**18,755,109**	**537,295**	**55,684,873**

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 2017

	Notes	31 December 2017	31 December 2016
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and service tax)		34,668,404	27,621,295
Payments to suppliers and employees (inclusive of goods and service tax)		(24,050,098)	(16,609,154)
		10,618,306	**11,012,141**
Cost associated with acquisition of subsidiary		(128,781)	(128,251)
Income tax paid		(2,348,528)	(2,303,323)
Interest received		39,459	346,144
Net cash flows from operating activities	**28**	**8,180,456**	**8,926,711**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	16.3	(13,649,477)	(6,915,264)
Payments for other financial assets	13	(31,101)	(29,691)
Payments for property, plant and equipment	11	(333,175)	(426,640)
Payments for other intangibles	12	(1,484,589)	(197,554)
Net cash flows from investing activities		**(15,498,342)**	**(7,569,149)**
Cash flows from financing activities			
Proceeds from borrowings		-	3,300,000
Payment of borrowings		-	(5,168,797)
Interest paid		(3,517)	(29,493)
Net cash flows from financing activities		**(3,517)**	**(1,898,290)**
Net decrease in cash and cash equivalents		**(7,321,403)**	**(540,728)**
Cash and cash equivalents at the beginning of the financial year	9	20,462,205	21,002,933
Cash and cash equivalents at end of the financial year	9	13,140,802	20,462,205

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

Notes to the Consolidated Financial Statements

2.5

For the year ended 31 December 2017

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 2017 and have not yet been applied in the consolidated financial statements:

	Summary and impact on Group's financial statements
Title of standard	**AASB 9 Financial Instruments**
Nature of change	AASB 9 Financial Instruments replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: Financial assets held by the Group mainly includes equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under AASB 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. There will be no significant impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any significant liabilities. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group does not expect any significant effects of applying the new standard in the loss allowance for trade debtors. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

	Summary and impact on Group's financial statements
Title of standard	**AASB 15 Revenue from Contracts with Customers**
Nature of change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management has assessed the effects of applying the new standard on the group's financial statements and has not identified areas that will be significantly affected.
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.
Title of Standard	**AASB 16 Leases**
Nature of change	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. The accounting for lessors will not significantly change.
Impact	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 $324,342. 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. 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.
Mandatory application date	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. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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.

2.1. 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.

2.2. 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 products and services delivered by the Group, including; classified vertical search and portals and associated advertising products, it is not possible to separate assets and liabilities by client nor allocate operating or financial results and taxes, following this criteria.

2.3. 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.

2.4. Contributed equity

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.

2.5. 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.

2.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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.

- With the acquisition of Dot Property, revenues are generated by sale of listing and advertising products related with property portal business.

- The main revenue stream derived from Kleding BV (Fashion vertical) is monetised on a CPA bases (cost-per acquisition) whereby Kleding BV receives a percentage of the total spend by the user on the destination site. In addition there are other revenues related to special campaigns or promotions.

- Other sources of revenue generation are associated with the sale of a range of advertising products such as CPL (cost-per lead), CPM (cost-per mile) and others. Revenue is recognized in the period in which the lead and the impressions have occurred.

2.7. 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.

2.9. 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.

2.10. 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.

2.11. 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.

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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

2.16. 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 lives, which are between 3 or 5 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 live, which is 7 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 5 years.

2.17. 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.

2.18. 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.

2.19. 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, Short-Term Incentive Plan and Long-Term Incentive Plan. The fair value of shares granted under different Plans 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.

Business combinations
The Group has made assumptions and estimates to determine the purchase price of businesses acquired as well as its allocation to acquired assets and liabilities.

The Group is required to determine the acquisition date and fair value of the identifiable assets acquired, including intangible assets such as brands, customer relationships, software and liabilities assumed. The assumptions and estimates made by the Group have an impact on the assets and liability amounts recorded in the financial statements. In addition, the estimated useful lives of the acquired amortisable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Group's future profit or loss.

The Group has also adopted the fair value method in measuring the identifiable contingent consideration in the acquisitions. The determination of these fair values involves management's judgement and the ability of the acquired entity to achieve certain financial results.

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, Philippine Peso and Vietnam Dong. 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 2017	EUR	USD	GBP	BRL	INR	SGD	THB	PHP	VND
	$	$	$	$	$	$	$	$	$
Trade receivables	4,627,725	1,337,031	278,690	152,814	164,782	93,290	379,179	53,126	3,175
Cash & cash equivalents	5,379,765	3,589,307	2,027,657	1,059,111	45,849	52,246	60,427	76,165	35,572
Trade payables	1,037,826	442,449	310,005	37,794	1,764	108,091	416,259	44,477	21,262
	11,045,316	**5,368,787**	**2,616,352**	**1,249,719**	**212,395**	**253,627**	**855,865**	**173,768**	**60,009**

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**	**263,875**	**2,274**

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 2017	31 December 2016	31 December 2017	31 December 2016
	$	$	$	$
EUR/$ exchange rate – increase 10%[1]	885,013	745,154	885,013	745,154
EUR/$ exchange rate – decrease 10%[1]	(724,102)	(745,154)	(724,102)	(745,154)

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 $18 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 2017							
Trade and other payables	2,329,330	-	-	-	-	2,329,330	2,329,330
	2,329,330	**-**	**-**	**-**	**-**	**2,329,330**	**2,329,330**
At 31 December 2016							
Trade and other payables	1,478,790	-	-	-	-	1,478,790	1,478,790
	1,478,790	**-**	**-**	**-**	**-**	**1,478,790**	**1,478,790**

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 2017	31 December 2016
	$	$
Financial assets at fair value through profit or loss		
- Level 1	294,050	351,739
- Level 2	-	-
- Level 3	-	-
	294,050	**351,739**

	31 December 2017	31 December 2016
	$	$
Financial liabilities at fair value through profit or loss		
- Level 1	294,050	351,739
- Level 2	-	-
- Level 3	-	-
	294,050	**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 2017 was $2.98 per share (€1.94 per share). This financial asset was acquired as part of the Nuroa business combination. 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 non current financial assets and 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
		2017	2016	
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 Spain SL	Spain	100%	100%	Without activity
Nestoria Brasil Buscador de Imoveris Ltda	Brazil	100%	100%	Vertical search website operator
Nestoria India Property Search Services Private Limited	India	99.99%[1]	99.99%[1]	Vertical search website operator
Dot Property Pte Ltd	Singapore	100%	100%	Property portal network
Dot Property Co Ltd	Thailand	100%	100%	Property portal network
Dot Services Philippines Inc	Philippines	100%	100%	Property portal network
Dot Media Co Ltd	Vietnam	100%	-	Property portal network
Kleding BV	Netherlands	100%	-	Vertical search website operator

1 As of 31 December 2017 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.

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, Chile, Colombia, Ecuador, Mexico, Peru, USA, Venezuela, Panama and Canada.

- **APAC – comprising:** Australia, China, Hong Kong, Indonesia, India, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Thailand, Vietnam, Myanmar and Japan.
- **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, Tunisia and Ukraine.

Segment information provided to senior management

The segment information provided to senior management for the reportable segments for the year ended 31 December 2017 is as follows:

Consolidated entity	AMERICAS	APAC	EMEA	Total
Year ended 31 December 2017	**$**	**$**	**$**	**$**
Total revenue	7,170,789	7,035,012	19,389,266	**33,595,067**
Cost of sales	(1,580,484)	(1,413,990)	(4,744,103)	**(7,738,577)**
Gross profit	**5,590,305**	**5,621,022**	**14,645,163**	**25,856,490**
Gross profit percentage	**78 %**	**80 %**	**76 %**	**77 %**

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 %**

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. However, intangible assets by segment are disclosed in note 12.

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 $8.2 million to the Group's revenue (2016: $9.5 million). No other single customer contributed 10 % or more to the Group's revenue for both 2017 and 2016.

7. Expenses

Profit before income tax includes the following specific expenses	Note	31 December 2017	31 December 2016
		$	**$**
Employee benefits			
Salary costs		8,772,455	7,109,583
Shared-based payments	20	(160,164)	455,535
IPO expenses – Share-based payments	20	-	574,000
Total Employee benefits		**8,612,291**	**8,139,118**
Depreciation and amortisation			
Depreciation of property, plant and equipment	11	364,932	304,539
Loss on disposal	11	-	8,354
Amortisation of other intangibles	12	3,293,362	1,661,400
Total depreciation and amortisation expense		**3,658,294**	**1,974,293**
Finance cost			
Interest income on bank balances		(39,459)	(346,144)
Interest expense on bank loans		3,517	29,493
Total Finance Cost / (Income)		**(35,942)**	**(316,651)**
Significant operating expenses			
Minimum lease payments under non-cancellable operating leases		581,854	428,523
Total significant operating expenses		**581,854**	**428,523**
Significant other expenses			
Net foreign exchange losses / (Income)		1,110,204	(208,483)
Total significant other expenses		**1,110,204**	**(208,483)**

8. Income tax

Income tax expense

	Note	31 December 2017	31 December 2016
		$	$
Current tax		2,592,972	1,985,852
Deferred tax	15	(956,282)	322,672
Income tax expense		**(1,636,690)**	**2,308,524**

Numerical reconciliation of income tax expense to prima facie tax payable

	31 December 2017	31 December 2016
	$	$
Profit before tax:	6,914,411	10,482,247
Income tax calculated at 30 % (2016:30 %)	2,074,323	3,144,674
Tax effect of amounts that are not deductible / (taxable) in calculating income tax		
Deductions double taxation	(238,819)	(49,817)
Other non-deductible expenses	84,374	19,036
Share-based payments	-	172,200
Research and development tax credit	-	(67,064)
Subtotal	**1,919,878**	**3,219,029**
Differences in overseas tax rates	**(626,745)**	**(724,930)**
Previously unrecognized tax losses	(188,427)	(131,053)
Tax losses not brought into account	531,984	20,918
Adjustments for current tax of prior periods	-	(75,440)
Total income tax expense	**1,636,690**	**2,308,524**

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 2017	31 December 2016
	$	$
Bank balances	13,140,802	20,462,205
	13,140,802	**20,462,205**

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

	31 December 2017	31 December 2016
	$	$
Euro	5,379,765	6,001,026
Great Britain Pounds	2,027,657	2,373,856
Australian Dollar	814,703	9,334,119
US Dollar	3,589,307	1,745,204
Indian Rupees	45,849	61,206
Brazil Real	1,059,111	608,686
Singapore Dollar	52,246	314,883
Thailand Baht	60,427	20,951
Philippine Peso	76,165	2,274
Vietnamese Dong	35,572	-
	13,140,802	**20,462,205**

10. Trade and other receivables

	Note	31 December 2017	31 December 2016
		$	$
Trade receivables		7,419,796	5,251,907
Provision for impairment of receivables	10 b)	(288,291)	(380,414)
		7,131,505	**4,871,493**
Loans and receivables to related parties	26	382,608	441,882
Short-term prepayments		185,063	105,924
Other receivable relating to Value-Added Tax		12,221	48,875
		579,892	**596,681**
		7,711,397	**5,468,174**

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 2017	31 December 2016
	$	$
Provision for impairment at the beginning of the financial year	(380,414)	(183,477)
Provision for impairment of receivables	92,123	(196,937)
Provision for impairment at the end of the financial year	**(288,291)**	**(380,414)**

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 2017, trade receivables of $1,991,579 (2016: $1,848,648) 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 2017	31 December 2016
	$	$
Up to 3 months	1,400,161	1,481,460
Between 3 and 6 months	516,815	250,441
More than 6 months	74,603	116,747
	1,991,579	**1,848,648**

Foreign exchange

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

	31 December 2017	31 December 2016
	$	$
Euro	4,627,725	2,044,064
US Dollar	1,337,031	1,377,484
Australian Dollar	329,984	213,153
GBP	278,690	325,730
Brazil Real	152,814	402,465
Indian Rupees	164,782	645,045
Singapore Dollar	93,290	63,628
Thailand Baht	379,179	180,338
Peso Philippine	53,126	-
Vietnamese Dong	3,175	-
	7,419,796	**5,251,907**

11. Property, plant and equipment

	Leasehold improvements	Furniture, fittings and equipment	Total
	$	$	$
At 1 January 2016			
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**
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**
Year ended 31 December 2017			
Opening net book amount	198,722	700,855	899,577
Exchange differences	8,990	13,931	22,921
Acquisition of subsidiary	-	32,105	32,105
Additions	-	333,175	333,175
Depreciation charge	(23,480)	(341,452)	(364,932)
Closing net book amount	**184,232**	**738,614**	**922,846**
At 31 December 2017			
Cost or fair value	242,776	1,876,659	2,119,435
Accumulated depreciation	(58,544)	(1,138,045)	(1,196,589)
Net book amount	**184,232**	**738,614**	**922,846**

The main significant additions to property, plant and equipment in 2017 and 2016 were leasehold improvements, furniture, fittings and equipment acquired for the offices in Madrid.

As of 31 December 2017 there are assets fully depreciated of $703,185 (2016: $199,488).

12. Intangible assets

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

	Goodwill	Customer relationships	Trademarks and licenses	Software and website development	Total
	$	$	$	$	$
At 1 January 2016					
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**
Year ended 31 December 2017					
Opening net book amount	18,952,676	5,141,506	1,228	1,118,428	25,213,838
Exchange differences	97,316	9,008	-	(16,948)	89,376
Acquisition of business	9,882,528	4,764,710	-	702,557	15,349,795
Additions	20,532	-	-	1,464,057	1,484,589
Finalisation of acquisition accountancy	(1,070,574)	-	804,755	724,636	458,817
Amortisation charge	-	(2,274,287)	(153,287)	(865,788)	(3,293,362)
Closing net book amount	**27,882,478**	**7,640,937**	**652,696**	**3,126,942**	**39,303,053**
At 31 December 2017					
Cost or fair value	27,882,478	12,215,338	805,983	4,235,400	45,139,199
Accumulated amortisation and impairment	-	(4,574,401)	(153,287)	(1,108,458)	(5,836,146)
Net book amount	**27,882,478**	**7,640,937**	**652,696**	**3,126,942**	**39,303,053**

The additions to goodwill, software development, trademarks, and customer relationships derived from the acquisition of Fashiola and Dot Property (see note 16).

Software and website development includes capitalised development costs amounting to $1,063,635 (31 December 2016: $110,473). These development costs are directly attributable to the design and implementation of identifiable and unique software products by the Group, which will generate probable future economic benefits. At 31 December 2017 there are $230,578 classified as work in progress since they are not ready for use. The Group amortise these development costs over 3 years.

As of 31 December 2017 there are assets fully amortised of $239,839 (2016: $237,768).

Impairment test

Goodwill relates to four separate acquisitions:

	31 December 2017	31 December 2016
	$	$
Goodwill Lokku acquisition	5,086,057	5,086,057
Goodwill Nuroa acquisition	2,029,989	1,932,674
Goodwill Dot Property acquisition	10,883,904	11,933,945
Goodwill Kleding BV acquisition	9,882,528	-
Totat Goodwill	**27,882,478**	**18,952,676**

Impairment test of intangible assets
Due to the proximity of the Kleding BV (2nd March 2017) acquisition to year end the Group used a "fair value less cost to sell" model to assess the carrying value of associated goodwill, considering recent market transactions and any indicator subsequent to year end. The Group has determined its Cash Generating Units CGU in one segment, EMEA, having allocated goodwill intangibles balances arising from Kleding BV acquisition as disclosed in note 16.3. There are no factors that indicate a possible impairment in these investments.

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	1,980,306	5,374,322
APAC	1,295,608	755,949	2,051,557
Americas	396,433	231,308	627,741
Total	**5,086,057**	**2,967,563**	**8,053,620**

The recoverable amount of goodwill arising from Nuroa'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 Nuroa's acquisition as follows:

	Goodwill	Intangible Assets	Total
	$	$	$
EMEA	1,705,191	1,082,725	2,787,916
APAC	-	-	-
Americas	324,798	206,233	531,031
Total	**2,029,989**	**1,288,958**	**3,318,947**

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

APAC ($)

	Goodwill	Intangible Assets	Total
	$	$	$
Total	**10,883,904**	**1,121,553**	**12,005,457**

Key assumptions
For Lokku and Nuroa, the recoverable amount has been determined based on a value-in-use basis 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 %

For Dot Property, the recoverable amount has been determined based on a value-in-use basis using cash flow projections based on financial forecasts prepared by senior management for a 5-year period using 35 % average annual revenue growth 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
APAC	1 %	12 %

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 for Nuroa and Lokku. In relation to Dot Property they have identified that should the annual revenue growth be 18 % lower than forecast (29 % average annual revenue growth over the 5 year period) with all other assumptions remaining consistent the carrying amount of intangible assets would exceed the recoverable amount by approximately $1 million. No other instances of reasonably possible changes in key assumptions that could cause the carrying amount to exceed the recoverable amount have been identified.

13. Other non-current financial assets and other liabilities

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).

	31 December 2017	31 December 2016
	$	$
Investments	1,462	1,462
Lease guarantee	225,856	194,755
Financial assets at fair value through profit or loss	294,050	351,739
	521,368	**547,956**
Financial liabilities at fair value through profit or loss	(294,050)	(351,739)
	(294,050)	**(351,739)**

14. Trade and other payables

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

	Note	31 December 2017	31 December 2016
		$	$
Trade payables		1,862,050	997,730
Amounts due to related parties	26	90,500	145,630
Employee liabilities		48,683	32,140
Other payables to tax authorities		328,097	303,290
		2,329,330	**1,478,790**

15. Deferred tax balances

Deferred tax assets

The balance comprises temporary differences attributable to	31 December 2017	31 December 2016
	$	$
Losses Carry Forward	84,173	-
Intangible assets	93,018	148,117
Bonus accrual	3,480	53,663
Total deferred tax assets	**180,671**	**201,780**

Movements	Losses Carry Forward	Intangible Assets	Bonus accrual	Total
	$	$	$	$
At 1 January 2016	**-**	**-**	**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**
(Charged) / credited:				
- to profit or loss	-	(53,375)	44,710	(8,665)
Exchange differences	-	(1,724)	(10,720)	(12,444)
At 31 December 2017	**-**	**93,018**	**87,653**	**180,671**

Deferred tax liabilities

The balance comprises temporary differences attributable to	31 December 2017	31 December 2016
	$	$
Property, plant and equipment	2,975	14,754
Intangibles – Customer Relationships	2,897,822	1,780,612
Total deferred tax liabilities	**2,900,797**	**1,795,366**

Movements	Property, Plant and Equipment	Intangibles[1]	Total
	$	$	$
At 1 January 2016	**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**
(Charged) / credited:			
- to profit or loss	(12,003)	(952,944)	(964,947)
Acquisition of subsidiary	-	2,075,913	2,075,913
Exchange differences	224	(5,759)	(5,535)
At 31 December 2017	**2,975**	**2,897,822**	**2,900,797**

1 Refers to Customers relationships, Trademarks and Website/software developments.

16. Business combinations

16.1. Prior period acquisition: Nuroa

On 29 February 2016, the Mitula Classified SL acquired 100 % of the issued share capital of Nuroa Internet SL. Details of this business combination were disclosed in Note 16 of the Group's annual financial statements for the year ended 31 December 2016.

16.2. Prior period acquisition: Dot Property

On 2 September 2016, the Group acquired 100 % of the issued share capital of Dot Property Pte Ltd. Dot Property operates 10 property portals across 9 South East Asian countries. Details of this business combination were disclosed in Note 16 of the Group's annual financial statements for the year ended 31 December 2016. The net asset values and allocation of purchase price to acquired assets has been finalized during last quarter of 2017.

Purchase consideration

	$
Cash	4,323,841
Working capital adjustment	647,097
Issue of new shares	4,827,624
Shares deferred payment	2,605,704
Total purchase consideration	**12,404,266**

The consideration paid for this acquisition was $12,404,266, consisting of $4,970,938 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 first tranche was issued on 6th October 2017 (see note18).

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	10,883,904
Deferred tax liability	(458,817)
Brand	804,755
Website / software developments	724,635
Net assets acquired	**12,404,266**

The net asset value has been assessed as at 31 August 2016.

16.3. Current period acquisition – Fashiola

On the 2nd of March 2017, Mitula Group acquired 100 % of the issued share capital of Kleding BV, a company in the Netherlands. The total purchase consideration was approximately $15 million (€10.9 million) which was primarily funded by cash reserves ($14.1 million) as well as the issue of 1 million new shares in Mitula Group Limited.

Kleding operates 19 fashion vertical search sites under the Kleding.nl brand in The Netherlands and the Fashiola brand in Denmark, Australia, United Kingdom, Germany, Austria, Sweden, France, Poland, Italy, Switzerland, Brazil, Spain, Portugal, Finland, Norway, USA and Belgium (French and Dutch sites).

The sites aggregate over 18 million products from 1,000 different online stores across men's and women's clothes, shoes and accessories.

Visitors to these sites select an item they are interested in and then click out to the originating online store. These click outs are monetised on a cost per acquisition bases whereby Kleding receives a percentage of the total spend by the user on the destination site during the first 30 days from the click out. The Kleding.nl and Fashiola sites also provide display advertising opportunities for fashion brands to reach their highly targeted and relevant audience.

Profit contribution of Kleding is $1,373,490 from the date of incorporation into the Mitula Group (10 months starting on March 2017) to 31st December 2017.

Purchase consideration

	$
Cash	14,130,856
Issued of new shares	890,000
Total purchase consideration	**15,020,856**

The assets and liabilities acquired are as follows:

	$
Cash and cash equivalents	481,379
Other assets	122,876
Trade and other receivables	959,006
Other intangible assets	69,187
Plant and equipment	8,481
Trade and other payables	(174,958)
Tax liabilities	(73,789)
Other payables	(27,076)
Net assets	1,365,106
Goodwill	9,882,528
Deferred tax liability	(1,617,095)
Customer relationships	4,764,710
Website / software developments	625,607
Net assets acquired	**15,020,856**

The net asset value has been assessed as at 28 February 2017. The net asset values and allocation of purchase price to acquired assets has been finalized during last quarter of 2017.

Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	$
Cash consideration	14,130,856
Less cash balance acquired	(481,379)
Net outflow of cash – Investing activities	**13,649,477**

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 2017		
	Notes	Number of shares	$
Ordinary shares			
Ordinary shares fully paid	18b)	215,406,887	33,826,233

Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$
1 January 2016	Opening balance		208,737,689	-	27,230,212
16 March 2016	New shares Nuroa vendors		81,512	0.97	79,067
2 September 2016	New shares Dot Property vendors		4,349,213	1.11	4,827,624
	Closing balance		**213,168,414**	**-**	**32,136,903**
1 January 2017	Opening balance		213,168,414	-	32,136,903
3 March 2017	New shares Fashiola vendors	1	1,000,000	0.89	890,000
25 May 2017	New shares based payments for CEO	2	64,728	0.93	59,873
6 October 2017	New shares Dot Property vendors	3	1,173,742	0.63	739,457
31 December 2017	**Closing balance**		**215,406,884**	**-**	**33,826,233**

1 Pursuant to the terms of the acquisition agreement between the Group and Kleding Vendors. The Kleding Vendors received 1,000,000 shares at price of $0.89 per share on 3 March 2017.

2 On 25 May 2017 the issue of 64,728 new shares was approved by shareholders at the Company's Annual General Meeting. This represents a share-based payment salary for the CEO.

3 Pursuant to the terms of the acquisition agreement between Mitula Group Ltd and Dot Property vendors, the Dot Property vendors received 1,173,742 shares at a price of $0.63 per share on October 2017 as part of the payment of the price agreed in the purchase and sale agreement.

19. Other reserves

	31 December 2017	31 December 2016
	$	**$**
Other Reserves	-	-
Share-based payments	1,263,383	1,603,535
	1,263,383	**1,603,535**
Share-based payments		
Opening balance	1,603,535	574,000
Share-based payment expense	(340,152)	1,029,535
Closing balance	**1,263,383**	**1,603,535**

20. Share-based payments

2017 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 is be available for all employees with at least 1 years' service under which employees are entitled to contribute 2.5% of their base annual remuneration to acquire shares in Mitula Group Limited at market value. The plan has operated with effect from 1 July 2016. For each share purchase, the participant receives a "matched share" subject to ongoing employment. The plan operates on a half year basis and it is voluntary and individual.

  During 2017 Mitula Group has delivered to the employees the shares corresponding to Employee Share Purchase Plan related to the second half of 2016 and the first half of 2017. At 31 December 2017 the Group had not yet delivered the shares corresponding to the second half of 2017 for an estimated amount of $27,633.

  In 2017 the total Group expense associated with this plan amounted to $52,769.

- Short-Term Incentive: This performance rights plan is available for middle management and key management personnel. Vesting conditions for the performance rights are directly linked to achievement of relevant KPIs (EBITDA and Revenues) and are set on an individual basis for all participating employees.

  During 2017 Mitula Group has delivered to the employees the shares corresponding to vested performance rights under the Short-Term Incentive Plan for performance in 2016.

  For 2017 the Group has not registered any expense in relation to the Short-Term Incentive plan due to non-achievement of the KPIs requirements. No performance rights have vested in respect of performance for the 2017 year.

- Long-Term Incentive: This plan is offered to senior executives and key management personnel with the primary purpose to retain and promote loyalty among the existing talent in the company over a long period of time. Vesting of performance rights under the Long Term Incentive Plan depends on both (a) total shareholder return (based on share value) and (b) ongoing employment. The maximum number of performance rights issued to participating executives is determined based a percentage of the fixed salary of the eligible employee.

  For 2017 the Group has not registered any expense in relation to the Long-Term Incentive plan and the amount related to 2016 has been reversed due to non-achievement of the KPIs requirements.

- Board of Directors Remuneration: On 26th July 2017 Board of Directors announced they had agreed to take their directors' fees for the balance of 2017 in the form of shares at a price of $1.00, being 150,000 MUA Shares. Shareholder approval for the issue of these shares will be sought at the 2018 AGM.

The breakdown of these expenses is shown below:

	31 December 2017	31 December 2016
	$	$
ESPP	52,769	35,743
Short-Term Incentive	(59,966)	179,075
Long-Term Incentive	(240,717)	240,717
Board of Directors Remuneration	87,750	-
Total Shared-based plan	**(160,164)**	**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:

	2017		2016	
	Average exercise price per share option	**Options**	**Average exercise price per share option**	**Options**
At 1 January	$0.40	2,800,000	$0.40	2,800,000
Granted during the year	-	-	-	-
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**	**$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 2017**	**31 December 2016**
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.

There are no expenses arising from share-based payment transactions recognised during the period (2016: $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 2017		31 December 2016	
	Cents per share		**Cents per share**	
	Basic	**Diluted**	**Basic**	**Diluted**
From continuing operations attributable to the ordinary equity holders of the Group	2.47	2.44	3.89	3.84

Reconciliations of earnings used in calculating earnings per share

	31 December 2017	31 December 2016
	$	**$**
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share		
From continuing operations	5,277,721	8,173,723
From discontinued operation	-	-
	5,277,721	**8,173,723**
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Group		
Used in calculating basic earnings per share	5,277,721	8,173,723
Add / (Less)	-	-
Used in calculating diluted earnings per share	5,277,721	8,173,723
From discontinued operation	-	-
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share	**5,277,721**	**8,173,723**

Weighted average number of shares used as denominator

	31 December 2017	31 December 2016
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	213,730,095	210,232,330
Weighted average of potential dilutive ordinary shares		
- options	2,800,000	2,800,000
Weighted average number of shares used as denominator in calculating diluted EPS	216,530,095	213,032,330

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
Georg Chmiel	Independent Non-Executive Director

Executive Directors

Gonzalo del Pozo	Chief Executive Officer and Managing Director

Other Key Management Personnel

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

Key management personnel compensation

	31 December 2017	31 December 2016
	$	**$**
Short-term employee benefits	950,902	1,227,318
Share-based payments	105,529	840,000
Long-term benefits	-	-
	1,056,431	**2,067,318**

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 2017	31 December 2016
	$	$
Audit and other assurance services		
Audit and review of financial statements	83,530	83,530
Other assurance services		
- Due diligence services	-	-
Total remuneration for audit and other assurance services	**83,530**	**83,530**
Taxation services		
Tax consulting services and advice in relation to IPO	-	-
Total remuneration for taxation services	**-**	**-**
Other services		
Consulting services in relation to the IPO	-	-
Total remuneration for other services	**-**	**-**
Total remuneration of PricewaterhouseCoopers Australia	**83,530**	**83,530**

Network firms of PricewaterhouseCoopers Australia

	31 December 2017	31 December 2016
	$	$
Audit and other assurance services		
Audit and review of financial statements	226,273	180,497
Other assurance services		
- Due diligence services	44,132	107,945
Total remuneration for audit and other assurance services	**270,405**	**288,442**
Taxation services		
Tax consulting services	-	28,018
Total remuneration for taxation services	**-**	**28,018**
Other services		
Consulting services	-	47,541
Total remuneration for other services	**-**	**47,541**
Total remuneration of network firms of PricewaterhouseCoopers Australia	**270,405**	**364,001**

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 month's 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 2017	31 December 2016
	$	$
Within one year	239,182	231,190
Later than one year but not later than five years	85,160	54,519
Later than five years	-	-
	324,342	**285,709**

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 2017	31 December 2016
	$	$
Sales and purchases of goods and services		
Sale of services to entities controlled by key management personnel	152,630	530,860
Purchase of management services from entities controlled by key management personnel	1,061,432	1,305,911
Purchases of various services from entities controlled by key management personnel	137,511	162,936
Purchase of shares in Dot Property held by key management personnel	-	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 2017	31 December 2016
	$	$
Receivables from related parties (note 10)		
Entities controlled by key management personnel	382,608	441,882
Payables to related parties (note 14)		
Entities controlled by key management personnel	90,500	145,630

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.

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 % (2016 – 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 2017 (2016: nil).

28. Cash flow information

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

	31 December 2017	31 December 2016
	$	$
Profit for the period	5,277,721	8,173,723
Adjustments for		
Depreciation and amortisation	3,658,294	1,974,293
Impairment of trade receivables	(92,122)	196,937
Non-cash employee benefits expense-share based payments	-	574,000
Shared-based plan	(160,164)	455,535
Financial expense of convertible notes	-	-
Net exchange differences	409,863	(208,483)
Change in operating assets and liabilities, net of effects from business combination		
(Increase)/Decrease in trade debtors	(1,192,095)	(1,346,730)
Increase/(Decrease) in trade creditors	882,607	(877,762)
(Increase)/Decrease in other operating assets	120,954	(95,390)
Increase/(Decrease) in income taxes payable	224,771	(242,084)
(Increase)/Decrease in deferred tax assets	21,109	823,490
Increase/(Decrease) in deferred tax liabilities	(970,482)	(500,818)
Net cash inflow (outflow) from operating activities	**8,180,456**	**8,926,711**

29. Parent entity financial information

Summary financial information

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

	31 December 2017	31 December 2016
	$	$
Balance Sheet		
Current assets	3,296,168	10,259,793
Non-current assets	40,224,980	25,183,591
Total assets	**43,521,148**	**35,443,384**
Current liabilities	587,703	874,444
Non-current liabilities	7,751,617	797,807
Total liabilities	**8,339,320**	**1,672,251**
Net assets	**35,181,828**	**33,771,133**
Shareholders' Equity		
Issued capital	33,826,233	32,136,903
Other reserves	727,505	2,205,333
	34,553,738	**34,342,236**
Profit or loss for the period	**628,090**	**(571,103)**
Total comprehensive income	**628,090**	**(571,103)**

Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees as at 31 December 2017 (2016: nil).

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2017 (2016: 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.

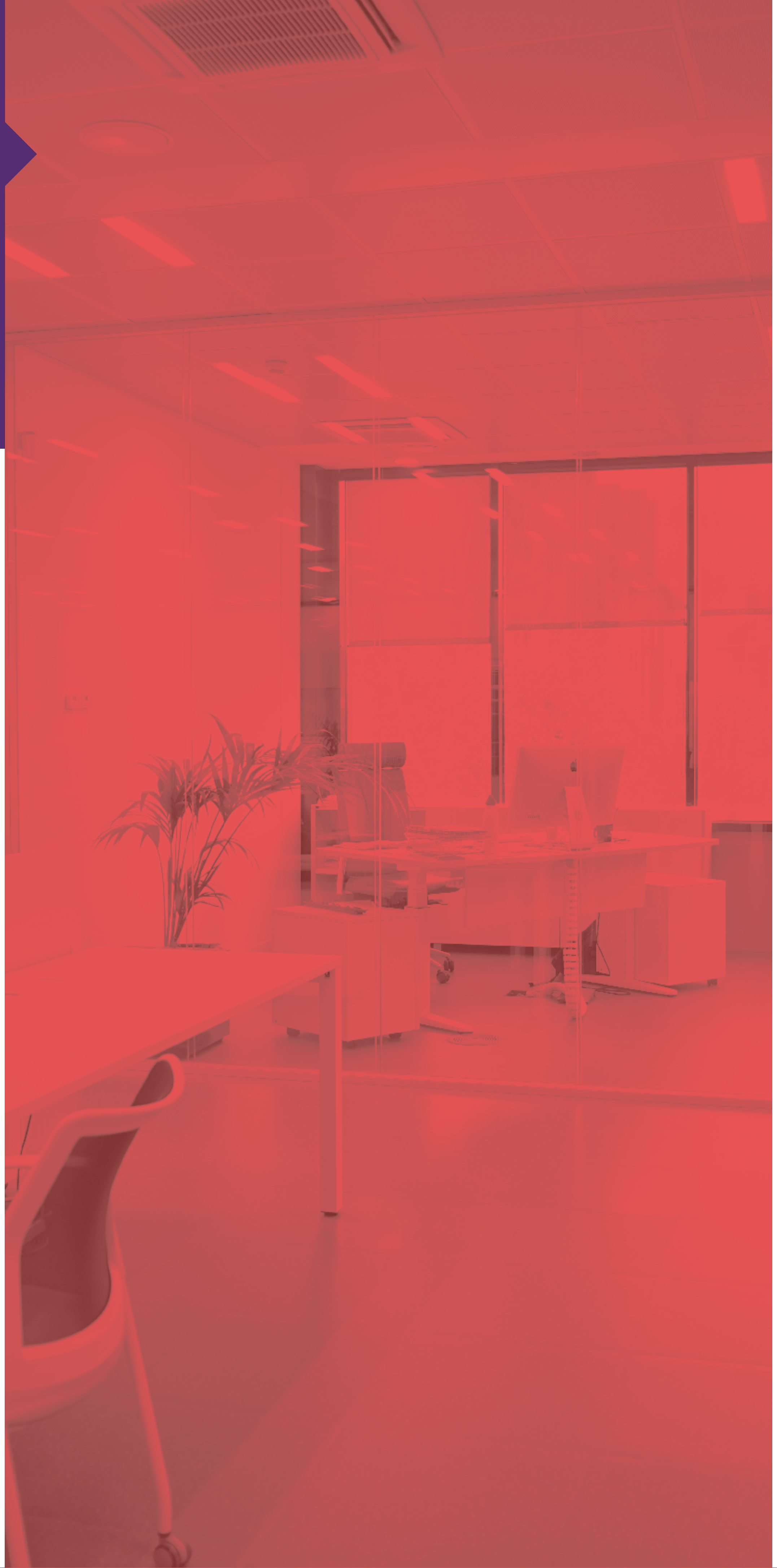
30. Events occurring after the reporting period

On 30th January Mitula Group announced the launch of the "Mitula Group Investment Fund". The Company will allocate up to $4.0 million for investment opportunities in 2018. The Fund's mandate is to invest in innovative new businesses that are aligned with Mitula Group's "Closer to the Transaction" Strategy.

On the 26th February 2018 the Group announced, as part of its capital management policy, an on-market buy-back programme for up to 10 % of the Company's issued capital for a period of up to 12 months. The programme is expected to commence on or after 15 March 2018 and ending 12 months after the date of the announcement. No target price for the buy-back has been set and the number of shares and timing of purchase under the buy-back will be dependent on the Company's share price and market conditions from time to time. The Company has reserved the right to vary, suspend or terminate the buy-back at any time.

Directors' Declaration

2.6



Directors' Declaration:

- The financial statements and notes set out on pages 50 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 2017 and of its performance for the year ended on that date.
- 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 13 March 2018

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Independent auditor's report

To the members 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:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2017
- 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 statements, 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.

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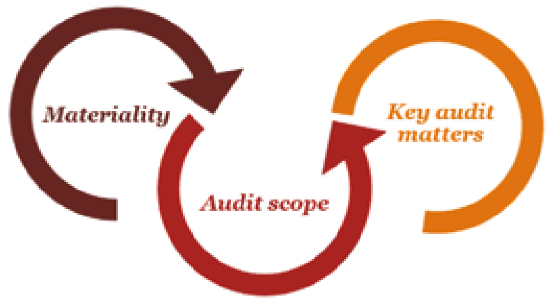
Our audit approach for the Group

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.

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 Director's report, the Group is a 'vertical search' website operator, with a current portfolio of over 100 vertical search sites in over 50 countries and 10 property portals in 9 South East Asian countries.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $300,000 which represents approximately 2.5% of the Group's earnings before income tax, depreciation and amortisation. • 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 earnings before income tax,	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group engagement team were responsible for the direction, supervision and performance of the Group audit. Given that the Group's main operations, management and accounting records are located in Spain, the majority of audit procedures were performed at the head office in Madrid, Spain, involving local Spanish Auditors under	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Completion of accounting of the acquisition of Dot Property Pte Limited - Accounting for the acquisition of Kleding BV - Carrying value of goodwill and intangible assets • These are further described in the *Key audit matters* section of our report.

depreciation and amortisation because, it is the benchmark against which the performance of the group is most commonly measured.

- We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

written instructions.

- There were also detailed discussions and reporting throughout the year with the local Spanish Auditors, and review of specific working papers. The Group engagement leader visited Spain to plan the Group audit approach, and meet with Group management.
- We performed further audit procedures at a Group level, including over Australian taxes, and the presentation of the financial report.

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
Completion of Accounting for the acquisition of Dot Property Pte Ltd *Refer to note 16.2 in the financial report* Following the acquisition of 100% of the issued share capital of Dot Property Pte Limited (Dot Property) in September 2016 for a total purchase consideration of \$12.4 million management completed a preliminary purchase price allocation ("PPA") in 2016. During the year ended 31 December 2017 Mitula Group management have finalised the purchase price allocation with \$0.8 million allocated to the Dot Property brand, \$0.7 million to software/website development assets and \$10.9 million to goodwill in relation to the acquisition.	Our audit procedures related to the final acquisition accounting included: • Reviewing management's judgements and estimates used in determining the final purchase price and acquisition fair values, including assessing accounting for contingent consideration which has now been finalised. • Assessing assumptions underlying the fair values applied at acquisition date. • Reviewing management's identification and valuation of intangible assets acquired as part of the acquisition including considering the key assumptions related to the valuations. • Considering whether the acquisition

Key audit matter	How our audit addressed the key audit matter
This is a key audit matter due to the size of the acquisition and associated judgement involved in identifying intangible assets and goodwill.	accounting entries have been recorded in accordance with the relevant accounting standards, including appropriate treatment of goodwill and other intangible assets identified.
Accounting for the acquisition of Kleding BV *Refer to note 16.3 in the financial report* The Group completed a purchase price allocation ("PPA") following the acquisition of 100% of the issued share capital of Kleding BV in March 2017 for a total purchase consideration of \$15 million. The consideration is a combination of cash and Mitula equity. This assessment determined that customer relationships and website/software development were separately identifiable assets requiring valuation at acquisition date. The customer relationships asset was valued by the Group at \$4.7 million and the website/software development asset was valued at \$0.6 million. The customer relationships asset valuation was 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. This is a key audit matter due to: • the size of the acquisition (purchase price of \$15 million) and associated goodwill (\$9.9 million) • the complexities inherent in the purchase price allocation particularly relating to the identification and recognition of assets and liabilities	Our audit procedures to assess the acquisition accounting included: • 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 • Reviewing management's identification and valuation of intangible assets acquired as part of the business combination including considering the key assumptions related to the valuations • Assessing the reasonableness of assumptions underlying the MEEM model involving revenue growth, customer attrition and growth margin forecasts. Together with our valuation experts, in considering asset valuation, we developed a range of blended discount rates taking into consideration the weighted average risk profile of the countries in which Kleding generates its cash flow to compare with the discount rate used by the Group.

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Key audit matter	*How our audit addressed the key audit matter*
• the judgements involved in assessing the value of customer relationships within a MEEM model.	
Carrying value of goodwill and intangible assets *Refer to note 12 in the financial report* The goodwill balance as at 31 December 2017 relates to 4 separate acquisitions; Kleding BV ($9.9 million), Dot Property Pte Limited ($10.9 million); Nuroa Internet SL ($2 million) and Lokku Limited ($5.1 million) Due to the proximity of the Kleding acquisition to year end the Group used a fair value less cost to sell model to assess the carrying value of the associated goodwill, considering the recent market transaction and any subsequent indicators of impairment. On finalisation of acquisition accounting goodwill is allocated to the Group's three segments i.e. Americas, EMEA and APAC, for each acquisition which are considered to be the cash generating units ("CGU"). The Group uses a value in use model to assess the carrying value of the CGU's net assets. Assessing the carrying value of goodwill and intangible assets using a value in use model requires making estimates of uncertain future cash flows. For example, customer volumes are not contracted and can fluctuate. The significant assumptions include the discount rate, revenue growth and EBITDA margin, which support the forecast cash flows. The recoverable amount is estimated by the Group based on the Board approved business plans by CGU. The Group performed sensitivity analysis and determined the Dot Property forecast cash flows are sensitive to a reasonable change in a key assumption which is disclosed in Note 12. The appropriateness of the carrying amount of goodwill	Our audit procedures related to the carrying value of the Dot Property Pte Limited, Lokku and Nuroa goodwill and intangible assets included: • assessing whether the CGUs appropriately included all assets, liabilities and cash flows directly attributable to the CGUs • considering the Group's budgeting procedures (upon which the forecast cash flows in the model are based) and considering the appropriateness of cash flows for the forecast period based on the underlying assumptions, by comparing them to historical cash flows (having regard to cyclicality) • testing mathematical accuracy of the cash flow forecasts • evaluating the adequacy of the disclosures made in note 12, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards Together with our valuation experts, in considering asset valuations, we developed a range of blended discount rates taking into consideration the weighted average risk profile of the countries in which the Group generates its cash flow to compare with the discount rate used by the Group. We performed a range of sensitivity analyses on the discount rate, revenue growth and EBITDA margin assumptions which indicated the Dot Property forecast cash flows were sensitive to a change in key assumptions. We recalculated the impact of a reasonable change in key assumptions and evaluated the adequacy of the disclosures in Note 12 in light of

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Key audit matter	*How our audit addressed the key audit matter*
and intangible assets was a key auditing matter due to: • The significance of the asset balances to the financial position of the Group • The Group's assessment of the carrying value involving key judgements, such as budgeted cash flows, growth rates and discount rates We specifically focused on the Dot Property value in use model as the forecast cash flows are sensitive to changes in key assumptions.	the requirements of Australian Accounting Standards. In relation to Kleding, we considered the fair value of the acquisition during the period and the existence of any impairment indicators since that date.

Other information

The directors are responsible for the other information. The other information comprises the Letter from Chairman, Directors' Report, Shareholder information, Corporate directory and Corporate Governance Statement included in the Group's annual report for the year ended 31 December 2017 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 *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_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 41 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Mitula Group Limited for the year ended 31 December 2017 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

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
13 March 2018

Shareholder Information

2.8

The shareholder information set out below was applicable as at 20 February 2018

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	142	99,045	0.046	-
1,001 – 5,000	544	1,688,450	0.784	-
5,001 – 10,000	332	2,681,536	1.245	-
10,001 – 100,000	609	19,954,364	9.264	-
100,001 and over	94	190,983,489	88.662	2,800,000
	1,721	**215,406,884**	**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 (Australia) Limited	31,874,524	14.797 %
Gonzalo Ortiz Sanz	19,153,500	8.892 %
Gonzalo Del Pozo Sanchez	18,032,228	8.371 %
Marcelo Badimon Reverter	15,820,000	7.344 %
Velingadu SL.	10,877,500	5.050 %
CAV Investment Holdings HK Ltd.	9,521,012	4.420 %
Atherley Investments Pty Ltd.	8,861,000	4.114 %
Basilian Investments SRL.	8,680,000	4.030 %
Citicorp Nominees Pty Limited	8,491,680	3.942 %
Tecmedia Servicios Y Consultoria SL.	5,312,448	2.466 %
J.P. Morgan Nominees Australia Ltd.	5,130,949	2.382 %
Buttonwood Nominees Pty Ltd.	4,008,836	1.861 %
Mr Benjamin Neve	3,638,886	1.689 %
BNP Paribas Noms Pty Ltd. (DRP)	3,178,333	1.476 %
National Nominees Limited	3,022,751	1.403 %
Fernando Pinillos Burgos	3,015,000	1.400 %
Javier Ernesto Heras Colas	3,015,000	1.400 %
Javier Ortiz Sanz	2,985,500	1.386 %
Ricardo Gomez de Olea Artacho	2,715,000	1.260 %
BNP Paribas Noms Pty Ltd. (DRP)	2,713,659	1.260 %
	170,047,806	**78.943 %**

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**
Gonzalo del Pozo Sanchez		26,822,228	12.45 %
Marcelo Badimon Reverter	1	26,757,500	12.42 %
Gonzalo Ortiz Sanz	2	24,507,500	11.38 %
HSBC Custody Nominees (Australia) Limited	3	33,099,777	15.37 %
		111,187,005	**51.62 %**

1 Gonzalo del Pozo holds indirect interest in shares through an associated entity , Basilian Investments, SRL.

2 Marcelo Badimon holds indirect interest in shares through an associated entity, Velingadu, SL.

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

Voting rights

As at 20 February 2018, there were 1,721 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:

- 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
- 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 20 February 2018, 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
Mr Lee Mitchell	Company Secretary

Registered office

Level 6, 330 Collins Street
Melbourne VIC 3000, Australia

Telephone: +61 3 9602 2220
Facsimile: +61 3 9602 2259

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
Email: 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*.