

**MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES
ACN 604 677 796**

**ASX Appendix 4E
Preliminary final report
for the year ended 31 December 2017**

Lodged with the ASX under Listing Rule 4.3A

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MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

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MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Results for Announcement to the Market

Details of the reporting period and the previous corresponding period

Reporting Period: Year Ended 31 December 2017
Previous Corresponding Period: Year Ended 31 December 2016

Results for announcement to the market

	12 Months 31 Dec 2017 \$000's	12 Months 31 Dec 2016 \$000's	Up/ Down	Change \$000's	Change %
Revenue from ordinary activities	33,595	28,023	Up	5,572	19.9%
Profit from ordinary activities after tax attributable to members	5,278	8,174	Down	(2,896)	(35.4)%
Profit for the period attributable to members	5,278	8,174	Down	(2,896)	(35.4)%

Dividend information

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.

Review of results

Refer to the Operating and Financial Review.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached additional information.

Net tangible assets per ordinary security

	31 Dec 2017	31 Dec 2016
Net tangible assets (\$)	16,381,820	23,679,348
Net assets (\$)	55,684,873	48,893,186
Issued share capital at reporting date (\$)	33,826,233	32,136,903
Number of shares on issue at reporting date	215,406,884	213,168,412
Net tangible assets per ordinary security (cents per share)	7.6	11.1
Net assets per ordinary security (cents per share)	25.9	22.9

Other significant information

For explanation of the figures reported above or other item(s) of importance not previously released to the market, please refer to the attached Preliminary Financial Statements.

Controlled entities acquired

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 it was primarily 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.

Audit

This report is based on the Consolidated Financial Statements for the year ended 31 December 2017 which are in the process of being audited by the Company's auditors, PricewaterhouseCoopers. The audit report will be made available with the Company's financial report as part of the Company's Annual Report which is still to be completed and will be released during March 2018.



Simon Baker
Chairman

Dated this 26th February 2018

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Operating and Financial Review

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, Kleiding 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; and
- 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.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Operating and Financial Review

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)%

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Operating and Financial Review

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 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.

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Operating and Financial Review

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: <http://www.mitulagroup.com/corporate-governance/>.

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

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

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

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

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Consolidated Statement of Comprehensive Income 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			
<i>Items that may be reclassified to profit or loss</i>			
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.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Consolidated Balance Sheet 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
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 non-current 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
Other 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

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Consolidated Statement of Changes in Equity 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.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Consolidated Statement of Cash Flows For the year ended 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)
		<u>10,618,306</u>	<u>11,012,141</u>
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	<u>8,180,456</u>	<u>8,926,711</u>
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		<u>(15,498,342)</u>	<u>(7,569,149)</u>
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		<u>(3,517)</u>	<u>(1,898,290)</u>
Net decrease in cash and cash equivalents		<u>(7,321,403)</u>	<u>(540,728)</u>
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	<u>13,140,802</u>	<u>20,462,205</u>

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

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements 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.

(i) 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).

(ii) 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.

(iii) 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:

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

	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	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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.

a. Principles of consolidation

i. 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.

b. 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.

c. Foreign currency translation

i. 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.

ii. 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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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.

iii. 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.

d. 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.

i. 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.

e. Earnings per share

i. 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.

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ii. 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.

f. 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.

g. 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.

h. 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.

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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.

i. 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.

j. 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.

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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.

k. 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.

l. 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.

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m. 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.

n. Investment and other financial assets

i. 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.

ii. 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.

iii. 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

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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.

iv. 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.

v. 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.

o. 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.

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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:

<u>Item</u>	<u>Useful life</u>
Fittings	3 - 4 years
Equipment	3 - 4 years
Furniture and others	10 years

p. Intangible assets

i. 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.

ii. 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.

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iii. 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.

iv. 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.

q. 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.

r. 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.

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s. Employee benefits

i. Short-term 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.

ii. 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.

i) *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).

ii) *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.

iii) *Business combinations*

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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 December 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

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	31 December 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%*	885,013	745,154	885,013	745,154
EUR/\$ exchange rate – decrease 10%*	(724,102)	(745,154)	(724,102)	(745,154)

* 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.

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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 n 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.

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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).

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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% (*)	99.99% (*)	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

(*) 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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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.

(a) 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.

(b) 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%

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

(c) Other segment information

(i) 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.

(ii) Management Gross Profit

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

(iii) 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.

(iv) Segment liabilities

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

(v) 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.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

7. Expenses

	Note	31 December 2017 \$	31 December 2016 \$
Profit before income tax includes the following specific expenses:			
<i>Employee benefits</i>			
Salary costs		8,772,455	7,109,583
Share-based payments	20	(160,164)	455,535
IPO expenses - Share-based payments	20	-	574,000
Total Employee benefits		8,612,291	8,139,118
<i>Depreciation and amortisation</i>			
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
<i>Finance cost</i>			
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)
<i>Significant operating expenses</i>			
Minimum lease payments under non-cancellable operating leases		581,854	428,523
Total significant operating expenses		581,854	428,523
<i>Significant other expenses</i>			
Net foreign exchange losses / (gains)		1,110,204	(208,483)
Total significant other expenses		1,110,204	(208,483)

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

8. Income tax

a) 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

b) 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.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

a) 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.

b) 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	<u>(288,291)</u>	<u>(380,414)</u>

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
	<u>1,991,579</u>	<u>1,848,648</u>

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

c) 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

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MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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).

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

12. Intangible assets

	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).

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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	-
Total Goodwill	27,882,478	18,952,676

a) 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:

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	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:

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

b) 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%

c) 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

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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 liabilities

	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)

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

14. Trade and other payables

	Note	31 December 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

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

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15. Deferred tax balances

a) Deferred tax assets

	31 December 2017	31 December 2016
	\$	\$
The balance comprises temporary differences attributable to:		
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 and others	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

b) Deferred tax liabilities

	31 December 2017	31 December 2016
	\$	\$
The balance comprises temporary differences attributable to:		
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

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Movements	Property, Plant and Equipment \$	Intangibles (*) \$	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

(*) 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.

a) 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

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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 note 18).

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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

a) 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.

b) 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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

18. Contributed equity

(a) Share capital

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

(b) 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	a)	1,000,000	0.89	890,000
25 May 2017	New shares based payments for CEO	b)	64,728	0.93	59,873
6 October 2017	New shares Dot Property vendors	c)	1,173,742	0.63	739,457
31 December 2017	Closing balance		215,406,884	-	33,826,233

a) 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.

b) 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.

c) 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.

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

19. Other reserves

	31 December 2017	31 December 2016
	\$	\$
Other Reserves	-	-
Share-based payments	1,263,383	1,603,535
	<u>1,263,383</u>	<u>1,603,535</u>

Share-based payments

Opening balance	1,603,535	574,000
Share-based payment expense	(340,152)	1,029,535
Closing balance	<u>1,263,383</u>	<u>1,603,535</u>

20. Share-based payments

a) 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.

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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 Share-based plan	(160,164)	455,535

b) 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:

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	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:

Grant date	Vest date	Expiry date	Exercise price	Share options	
				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

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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:

(a) 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

(b) Reconciliations of earnings used in calculating earnings per share

	31 December 2017		31 December 2016	
	\$		\$	
<i>Basic earnings per share</i>				
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:				
From continuing operations	5,277,721		8,173,723	
From discontinued operation	-		-	
	5,277,721		8,173,723	
<i>Diluted earnings per share</i>				
Profit from continuing operations attributable to the ordinary equity holders of the Group:				
Used in calculating basic earnings per share	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	

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

(c) 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	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
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Other Key Management Personnel

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

a) Key management personnel compensation

	31 December 2017	31 December 2016
	\$	\$
Short-term employee benefits	950,902	1,227,318
Share-based payments	172,395	840,000
Long-term benefits	-	-
	1,123,297	2,067,318

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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:

a) PricewaterhouseCoopers Australia

	31 December 2017	31 December 2016
	\$	\$
<i>Audit and other assurance services</i>		
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
<i>Taxation services</i>		
Tax consulting services and advice in relation to IPO	-	-
Total remuneration for taxation services	-	-
<i>Other services</i>		
Consulting services in relation to the IPO	-	-
Total remuneration for other services	-	-
Total remuneration of PricewaterhouseCoopers Australia	83,530	83,530

b) Network firms of PricewaterhouseCoopers Australia

	31 December 2017	31 December 2016
	\$	\$
<i>Audit and other assurance services</i>		
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
<i>Taxation services</i>		
Tax consulting services	-	28,018
Total remuneration for taxation services	-	28,018
<i>Other services</i>		
Consulting services	-	47,541

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Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

Total remuneration for other services	-	47,541
Total remuneration of network firms of PricewaterhouseCoopers Australia	270,405	364,001

25. Commitments

a) 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

a) Subsidiaries

Interests in subsidiaries are set out in note 5.

b) Key management personnel

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

c) Transactions with related parties

The following transactions occurred with related parties:

	31 December 2017	31 December 2016
	\$	\$
<i>Sales and purchases of goods and services</i>		
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

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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

d) 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

e) 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

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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

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MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

29. Parent entity financial information

a) 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)

b) Guarantees entered into by the parent entity

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

c) 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,

d) Contractual commitments for the acquisition of property, plant or equipment

There are no contractual commitments.

MITULA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Preliminary Notes to the Consolidated Financial Statements For the year ended 31 December 2017

e) 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 business that are aligned with Mitula Group’s “Closer to the Transaction” Strategy.

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Director's Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 58 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with *Australian Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) 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, and
- (b) 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 26th February 2018