trademe
Group Limited

17 August 2016

Market Announcements Office
ASX
Australian Stock Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

TRADE ME GROUP LIMITED (TME)

Preliminary Final Report - year ended 30 June 2016

Tonight we have lodged to ASX Trade Me Group's Results for announcement to the market (Appendix 4E) and Appendix 3A.1 (dividend).

Attached are the following associated documents:

1. Media release;
2. The company's preliminary final report for the year ended 30 June 2016;
3. NZX Appendix 7 (as to dividend) which has been filed with NZX and is provided to ASX for completeness.

A presentation is to be given to analysts at 11 a.m. (NZ time) on 18 August 2016, and we will file the presentation immediately following this lodgement, as a separate document.

Yours faithfully

Sarah Hard
Company Secretary

18 August 2016

Trade Me result: Forward momentum continues to grow

Highlights

- *Revenue up 9.2% YoY to $218.0m, with revenue growth returning to General Items marketplace*
- *EBITDA[1] up 4.5% YoY to $140.5m*
- *Net operating profit[2] up 3.5% YoY to $83.0m*
- *Net profit after tax of $74.9m*
- *Earnings per share for F16 was 18.87 cents*
- *Fully imputed final dividend of 9.0 cps to be paid on 20 Sept (full year dividend of 16.8 cps)*
- *Result is in line with guidance with a return to operating profit growth after period of sustained investment*
- *Positive momentum in core metrics*

Online marketplace and classified advertising business Trade Me Group Ltd ("Trade Me") released its full year financial results for the 12 months to 30 June 2016 this morning.

Trade Me chairman David Kirk said the result was pleasing, and consistent with guidance provided over the past year. "The result is in line with our expectations. Our investment phase is reaching completion and the business is building momentum, demonstrated by the return to profit growth overall and ongoing revenue growth in our General Items marketplace."

Trade Me CEO Jon Macdonald said it was good to deliver on the plans laid out for investors. "Since 2013, we've substantially strengthened the business by growing our staff numbers, bolstering our marketing efforts, making our products better and enhancing our sales capability. We're pleased to see these efforts reflected in the results today."

The numbers

Mr Macdonald said Trade Me's revenue had increased to $218.0m, up 9.2 per cent on a year ago. The company's net profit after tax was down 6.5 per cent year-on-year to $74.9m, but excluding a one-off impairment charge, underlying profit was up 3.5 per cent year-on-year to $83.0m.

Earnings per share was 18.87 cents, with a fully imputed final dividend of 9.0 cents per share to be paid in September. In March, Trade Me paid investors an interim dividend of 7.8 cents per share.

Expense growth rates continue to decline, with year-on-year growth in the second half of the year of 17 per cent, down on the 25 per cent increase reported in F15. "We've completed our period of significant growth in staff numbers," Mr Macdonald said.

This year a one-off goodwill impairment charge of $8.1m was made in connection with FindSomeone, TradeMe's small online dating business. "Over the last couple of years FindSomeone has come under pressure from international competitors which has seen financial performance decline," Mr Macdonald said. "Relative to our other businesses, FindSomeone lacks scalability and upside potential so we've diverted resources to the large opportunities within our core businesses."

---

[1] EBITDA (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation, amortisation and impairment, as reported in the financial statements.

[2] Net operating profit excludes a one-off impairment charge of $8.1m for FindSomeone (our small online dating business) goodwill.

Performance by segment

In the **General Items** marketplace, revenue growth returned after two years – up 3.5 per cent year-on-year to $65.7m. Mr Macdonald said the consistent sales growth observed in the first half of the year had continued, and in the second half of F16 revenue in the segment increased by 7.0 per cent year-on-year. "The key metric of gross merchandise sales has been heading in the right direction for the last 15 months in this business, which is great to see."

Trade Me's **Classifieds** businesses of Motors, Property and Jobs continued to grow, with revenue up 13.2 per cent on F15 to $112.8m, off the back of a focus on premium revenue generation and product enhancements.

- Trade Me Property reported a 15.9 per cent year-on-year lift in revenue, with continued growth in 'for sale' listings from agents and very strong demand for premium products (up more than 50 per cent). A suite of new products has been rolled out, including free sales and rating valuation data to consumers, and the OneHub portal for property professionals.

- Trade Me Motors delivered another solid lift in revenue, up 11.2 per cent year-on-year as dealer revenue grew strongly (up 26 per cent) due to a strengthened sales effort and demand for motor vehicle data via MotorWeb. The ability to sell a car via the Trade Me iOS app was added in April 2016 and a reviews and news section was launched last month.

- Trade Me Jobs also delivered an increase in revenue, up 14.6 per cent year-on-year, underpinned by listings growth and ongoing demand for premium products. A 'recommendation network' that uses data to get the right jobs in front of the right job hunters was rolled out in March 2016, and a pre-release version of a new Jobs-specific Android app is now available in the Google Play Store.

In the **Other** segment, revenue was up 8.1 per cent year-on-year and Mr Macdonald said advertising and payments performed well.

Mobile focus

Mr Macdonald said development on a new, mobile-responsive design for Trade Me was under way. "We want to provide a more contemporary and consistent experience for our users, regardless of device. We also expect the new site to vastly reduce the time needed to build new features."

A new "universal" iOS app released in July 2016 provided an updated Trade Me experience for both iPhone and iPad users. "We're seeing the return on our mobile investment with increased audience and a growing proportion of sales being made via a mobile device," Mr Macdonald said.

Investments and new businesses

Trade Me Insurance was launched in August 2015, delivering a streamlined, simple, good value online experience for New Zealanders buying home, contents, and car insurance. Mr Macdonald said that the business was still in its infancy, and the long-term opportunity remains attractive.

Brand and marketing

A new, refreshed Trade Me logo emerged in July 2016, kicking off a wider visual refresh. A new Trade Me brand campaign is also in market, riffing on the idea that "Life lives here" and that behind every trade there's a person, and behind every person, there's a story.

People

Caroline Rawlinson joined Trade Me as CFO in August 2016. Caroline's most recent role was as CFO of Formica Asia (a subsidiary of Fletcher Building), and she was previously Fletcher Building's general manager of strategy and corporate development.

Elsewhere, Jeremy Wade replaced Pete Osborne as the head of Trade Me Jobs in July 2016. "Pete has done an excellent job at the helm of this business since August 2013, and we were sad to see him return to Australia for family reasons," Mr Macdonald said.

There was a change to the Trade Me Board this year. In June 2016, Gail Hambly stepped down as a director. She has served on the board since Trade Me's IPO in 2011, but began her association with Trade Me when Fairfax Media acquired the business way back in 2006.

Sydney-based executive Katrina Johnson joined the Board as an independent director in June 2016. She has extensive experience in technology businesses, including 12 years working in the United States and Australia for eBay and its subsidiaries. She is currently legal director of Uber Australia/New Zealand.

Outlook

Mr Macdonald said Trade Me had delivered profit growth in the second half of F16, as the investment over the last three years began to show returns.

"Looking ahead to F17, we expect total revenue to grow at a similar rate to F16 in percentage terms. We expect expense growth for the F17 full year of circa 10 per cent as our recent period of investment draws to completion. This will deliver year-on-year EBITDA and operating NPAT growth rates in excess of F16."

He said the profit uplift was set to be delivered by the General Items marketplace and Classified businesses, driven by the increasing ease-of-use of products and converting on premium revenue opportunities.

"Trade Me has good forward momentum," he said. "We'll continue to derive benefit from the investment we have made over the past three years, and we believe we're better placed than ever to capitalise on the opportunities in front of us."

-ends-

More information:

Trade Me investor website: investors.trademe.co.nz

Contacts:

Media: Paul Ford, Trade Me, paul@trademe.co.nz

Investors: Colin Rohloff, Trade Me, investors@trademe.co.nz

Full Year Report

FOR THE YEAR ENDED
30 JUNE 2016

Table of contents

Highlights

Net operating profit[1] was up 3.5 per cent year-on-year to $83.0m (net profit was down 6.5 per cent to $74.9m including impairment). In the second half of F16, net operating profit increased by 6.5 per cent year-on-year.

The return to profit growth was good to see, after our period of sustained investment. Since 2013, we have substantially strengthened the business by growing our staff numbers, bolstering our marketing, making our products better and enhancing our sales capability.

Revenue was up 9.2 per cent year-on-year to a record $218.0m, again underpinned by strength in the three Classifieds businesses where revenue was up 13.2 per cent on F15 to $112.8m.

Very pleasing to see revenue growth return in General Items, up 3.5 per cent on F15 to $65.7m off the back of continued sales growth. In the second half of F16, revenue in this segment increased by 7.0 per cent year-on-year.

Expense growth rates continue to decline, with year-on-year growth of 17.8 per cent, down from the 25.5 per cent growth in F15.

EBITDA[2] was $140.5m, up 4.5 per cent year-on-year.

Earnings per share for F16 was 18.87 cents. A fully imputed final dividend of 9.0 cents per share will be paid on 20 September 2016. This follows on from the interim dividend of 7.8 cents per share paid on 22 March 2016.

We're seeing positive momentum in core metrics with revenue growth translating into earnings growth, as the rate of expense growth continues to slow.

New CFO: Caroline Rawlinson joined our Executive team as Chief Financial Officer in August 2016.

One board change: Katrina Johnson joined as an independent director in June 2016. She replaced Gail Hambly who has been a Trade Me director since our IPO in December 2011.

Outlook for F17: We expect total revenue to grow at a similar rate (in percentage terms) to that of F16. We expect expense growth for the F17 full year of circa 10 per cent as our recent period of investment draws to completion. This will deliver year-on-year EBITDA and operating NPAT growth rates in excess of F16.

1 Net operating profit excludes a one-off impairment charge of $8.1m for FindSomeone (our small online dating business) goodwill.

2 EBITDA (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation, amortisation and impairment as reported in the financial statements.

Commentary from the Chairman and CEO

Dear Shareholders,

Thank you for investing in Trade Me.

The year ended 30 June 2016 has been one of good progress for Trade Me. We are now seeing positive momentum in core metrics, and revenue growth translating into earnings growth as the rate of expense growth slows. It is satisfying to deliver a positive result to our shareholders that is once again in line with our expectations, and consistent with the guidance we've provided.

Over the last three years we've undertaken a period of accelerated investment to reinvigorate our offer – both to improve audience and inventory. We have substantially strengthened the business by doubling staff numbers, increasing our marketing spend, improving our product offers in both Marketplace and our Classifieds businesses and enhancing our sales capability. Through this period, we've increasingly improved our mobile offer as its importance to our audience has risen.

We're reaching the completion of this period of substantial investment, which is best demonstrated by the return to revenue growth in our General Items marketplace, and the return to profit growth for Trade Me overall.

The numbers

In F16, Trade Me's revenue continued to grow strongly to a new record of $218.0m, up 9.2 per cent on F15's $199.7m. In the second half of F16, revenue grew by 9.4 per cent year-on-year.

Across F16, we've also seen the rate of our expense growth continue to decline. Expenses grew by 17.8 per cent year-on-year, down from 25.5 per cent growth in F15, as our period of significant investment comes to an end.

Our EBITDA for F16 was $140.5m, up 4.5 per cent year-on-year. And excluding the losses from our stake in peer-to-peer lending start-up Harmoney, our EBITDA was up 5.1 per cent year-on-year.

Trade Me's net profit after tax was down 6.5 per cent year-on-year to $74.9m but excluding a one-off impairment charge, underlying profit was $83.0m, up 3.5 per cent on a year ago as the investment we've made over the past few years begins to come to fruition. This result was driven by a solid performance in the second half of F16.

Earnings per share for F16 was 18.87 cents. A fully imputed final dividend of 9.0 cents per share will be paid on 20 September 2016. This follows on from the interim dividend of 7.8 cents per share paid on 22 March 2016.

Operating performance

In our **General Items** marketplace, we were delighted to see revenue growth return after two years. Revenue in this segment was up 3.5 per cent year-on-year, and up 7.0 per cent year-on-year in the second half of F16. Gross merchandise sales have now been heading in the right direction for five consecutive quarters, and underpinned the revenue growth in this segment.

We attribute the lion's share of the return to revenue growth to the core product improvements we have made across many aspects of our Marketplace. Another contributor was the simplified pricing we introduced on 1 February, with the key changes including the introduction of free photos on all listings, a new flat fee success fee, and a 'no success fee' tier for items that sell for $1 or less.

We were also pleased to release a new 'Book a courier' service on Trade Me in April 2016, and see mitigating hassle for buyers and sellers around shipping as a big area of opportunity. Getting this right will improve activity and transaction volumes.

The **Classifieds** businesses have continued to deliver strong results for investors, with revenue up 13.2 per cent on F15 to $112.8m. There was a good contribution from all three businesses, after a strong focus on generating premium revenue and making our products better.

Trade Me Property reported a 15.9 per cent year-on-year lift in revenue, off the back of continued growth in listings from agents and very strong demand for premium products (up over 50 per cent on a year ago). Trade Me Property remains New Zealand's most visited real estate website, and its apps have now been downloaded more than 500,000 times. We were very pleased to roll-out free sale price and rating valuation data to consumers. We've also been heartened by the response to OneHub, our portal that provides individual agents with an exclusive platform to build their profile, and delivers insights into buyer behaviour and listing performance.

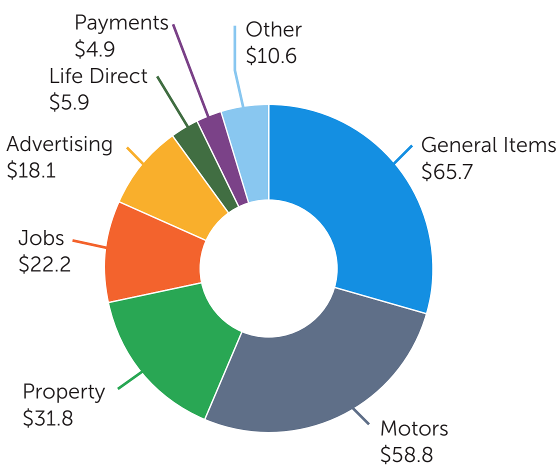
Trade Me Motors enjoyed another solid lift in revenue, up 11.2 per cent year-on-year and continues to be the New Zealand market leader in the automotive category. We've seen dealer revenue grow strongly (up 26 per cent year-on-year) off the back of a strengthened sales effort, and MotorWeb revenue increased by 15 per cent year-on-year. In July we launched a reviews and news section, which is a key building block in ensuring we're relevant to car buyers for more of their research and purchase journey.

Trade Me Jobs also delivered an increase in revenue, up 14.6 per cent year-on-year, off the back of listings growth and ongoing demand for premium products (up 35 per cent). We released a 'recommendation network' in March 2016, using our data to get the right jobs in front of the right job hunters, and we have updated our job hunter and job advertiser guides. The pre-release version of our new Jobs-specific Android app is available now in the Google Play Store.

In the **Other** category comprising our advertising, travel, dating, insurance comparison and payments businesses, revenue was up 8.1 per cent year-on-year. Revenue from display advertising increased by 12.8 per cent year-on-year, despite the continued decline in desktop impressions.

In F16 **operating expenses** increased 17.8 per cent year-on-year (F15 was 25.5 per cent year-on-year). The increase was largely driven by headcount growth and additional marketing spend. Excluding cost of sales expenses, the rate of growth lessens to 16.4 per cent year-on-year as some of our lower margin businesses are growing strongly.

Full Year Revenue Composition ($m)



This year we have a one-off goodwill impairment charge of $8.1m in connection with FindSomeone, our small online dating business. Over the last couple of years FindSomeone has come under pressure from international competitors which has seen financial performance decline. Relative to our other businesses FindSomeone lacks scalability and upside potential and therefore we have diverted resources into large opportunities that sit within our core businesses.

Investments and new businesses

We launched **Trade Me Insurance** in August 2015. Underwritten by, and tailor-made with, local insurer TOWER, it delivers a streamlined, simple, good value online experience for New Zealanders buying home, contents, and car insurance. The business is still in its infancy, and the long term opportunity remains attractive.

We acquired a minority stake in peer-to-peer lending platform **Harmoney** in January 2015. Harmoney was the first licensed peer-to-peer lender in New Zealand and is continuing to scale up its business. Like many early stage technology start-ups, it continues to incur losses (although the losses incurred in the second half of our F16 financial year were less than the prior corresponding period) but we are confident in its prospects and see a lot of potential for P2P lending to work well in New Zealand. Our Head of Marketplace, Stuart McLean, has joined the board of Harmoney, replacing Jonathan Klouwens.

Mobile focus

We are continually reminded about the importance of mobile. The number of mobile sessions on Trade Me overtook desktop sessions back in F14 and and now comprises more than 60 per cent of total sessions. Not surprisingly, a growing proportion of GMS is concluded via a mobile device.

Many browsers also use more than one device to access Trade Me across their day, and in so doing are more inclined to transact onsite, so ensuring we deliver a consistent and seamless experience across all devices is important.

We're continuing development on our new interface for Trade Me. This incorporates a responsive design and will provide a more contemporary and consistent experience for our users, regardless of device. We also expect this new interface will vastly reduce the time needed to build new features.

We were excited to release our new "universal" iOS app to all users in July 2016, providing an updated Trade Me experience for both iPhone and iPad users.

Brand and marketing

Trade Me has a strong, trusted, well-known and much-loved brand. We were recently named the most influential domestic New Zealand brand by Ipsos, following on from the same accolade last year.

That said, our brand has grown in an organic way for many years and we've recently done a lot of work to better understand how we're perceived. We want to develop our brand, make it more consistent, and make sure we're protecting and nurturing it as best we can.

Part of that work manifested in a new, refreshed logo in July 2016, kicking off a wider visual refresh. A week later we launched a new Trade Me campaign riffing on the idea that "Life lives here" and that behind every trade there's a person, and behind every person, there's a story.

Elsewhere, we enjoyed telling New Zealand about our billionth listing back in December, and a typical Trade Me story emerged around our most viewed listing for the 2016 calendar year: a $50 note sold by an auto mechanic from Geraldine.

We have continued to bolster our expertise and resources around email marketing. We will continue to invest in our capability in this area in F17.

We were pleased to lead the way with our annual transparency reports released in July 2015 and July 2016 respectively. These reports are about being open and honest with how we deal with requests from Government agencies for Trade Me members' data. We're the only New Zealand company that does this and we have challenged other Kiwi companies to get on board.

People

The number of staff at Trade Me has grown considerably from 302 (280 FTEs) in December 2012 to 509 (487 FTEs) as at 31 July 2016. This is up from 464 staff (437 FTEs) a year ago.

One new face joined our Executive team in with Caroline Rawlinson joining us as Chief Financial Officer in August 2016. Caroline's most recent role was as CFO of Formica Asia (a subsidiary of Fletcher Building), and she was previously Fletcher Building's general manager of strategy and corporate development. She has also worked at Sealord and PwC. Our previous CFO Jonathan Klouwens left Trade Me for a new role in investment banking in May 2016.

There was a change to the Trade Me Board this year. In June 2016, Sydney-based executive Katrina Johnson joined as an independent director. She has extensive experience in technology businesses, including 12 years working in the United States and Australia for eBay and its subsidiaries. She is currently legal director of Uber Australia/New Zealand.

Also in June 2016, Gail Hambly stepped down as a director. She has served on the board since Trade Me's IPO in 2011, but began her association with Trade Me when Fairfax Media acquired the business way back in 2006.

Outlook

Trade Me has delivered operating profit growth in the second half of F16, and our investment over the last three years is starting to show returns.

Looking ahead to F17, we expect total revenue to grow at a similar rate (in percentage terms) to that of F16. We expect expense growth for the F17 full year of circa 10 per cent year-on-year as our recent period of investment draws to completion. This will deliver year-on-year EBITDA and operating NPAT growth rates in excess of F16.

We anticipate the profit uplift will be delivered by our General Items marketplace and Classified businesses, driven by the increasing ease-of-use of our products and conversion of premium revenue opportunities. We expect our General Items segment to deliver F17 revenue growth similar to the second half of F16.

Trade Me has good forward momentum. We will continue to derive benefit from the investment we have made over the past three years, and we are better placed than ever to capitalise on the opportunities in front of us.

We'll keep working hard to make life better for Kiwis through the online experiences we deliver. We know there is much more to be done to continue the positive trend, and we're excited about what lies ahead.

David Kirk
CHAIRMAN

Jon Macdonald
CEO

Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
General Items		65,726	63,480
Classifieds		112,782	99,635
Other		39,541	36,579
Total revenue	**12**	**218,049**	**199,694**
Cost of sales		(13,648)	(10,967)
Net revenue		**204,401**	**188,727**
Employee benefit expense		(33,644)	(28,842)
Web infrastructure expense		(5,386)	(4,089)
Promotion expense		(10,547)	(9,434)
Other expenses		(12,701)	(11,135)
Total expenses	**12**	**(62,278)**	**(53,500)**
Earnings before interest, tax, depreciation, amortisation, impairment and associate		**142,123**	**135,227**
Share of losses from associate	5	(1,643)	(846)
Earnings before interest, tax, depreciation, amortisation and impairment		**140,480**	**134,381**
Depreciation and amortisation	4.2, 10	(18,867)	(15,284)
Impairment	4.1	(8,053)	–
Earnings before interest and tax		**113,560**	**119,097**
Finance income		1,851	2,267
Finance costs	14.3	(7,406)	(9,809)
Profit before income tax		**108,005**	**111,555**
Income tax expense	8	(33,062)	(31,387)
Profit		**74,943**	**80,168**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(17)	9
Effective portion of changes in fair value of cash flow hedges	14.3	(1,033)	(200)
Income tax effect of changes in fair value of cash flow hedges		289	56
Other comprehensive income		**(761)**	**(135)**
Total comprehensive income		**74,182**	**80,033**
Earnings per share			
Basic and diluted (cents per share)	7	18.87	20.20

The above statement should be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Cash and cash equivalents	14.1	34,113	48,277
Trade and other receivables	9	14,008	14,444
Total current assets		**48,121**	**62,721**
Property, plant and equipment	10	9,504	9,555
Intangible assets	4	804,542	808,713
Investment in associate	5	5,556	6,898
Deferred tax asset	8	1,510	1,325
Total non-current assets		**821,112**	**826,491**
Total assets		**869,233**	**889,212**
LIABILITIES			
Trade and other payables	6	20,164	19,101
Provisions	6	2,527	–
Derivative financial instruments	14	845	723
Income tax payable	8	7,687	7,070
Total current liabilities		**31,223**	**26,894**
Provisions	6	–	4,550
Interest bearing loans and borrowings	6	135,853	165,884
Derivative financial instruments	14	1,177	630
Other non-current liabilities		434	423
Total non-current liabilities		**137,464**	**171,487**
Total liabilities		**168,687**	**198,381**
EQUITY			
Contributed equity	7	1,069,814	1,069,814
Share based payment reserve	13.2	578	461
Other reserves	15	(486,633)	(485,872)
Retained earnings		116,787	106,428
Total equity attributable to owners of the Company		**700,546**	**690,831**
Total equity and liabilities		**869,233**	**889,212**

For and on behalf of the Board of Directors who authorised these financial statements for issue on 17 August 2016:

David Kirk
CHAIRMAN

Joanna Perry
CHAIR OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The above statement should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2016

	Note	Ordinary shares $'000	Share based payment reserve $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 July 2014		**1,069,814**	**266**	**90,129**	**(485,737)**	**674,472**
Profit		–	–	80,168	–	80,168
Currency translation differences		–	–	–	9	9
Movement in cash flow hedge reserve (net of tax)		–	–	–	(144)	(144)
Total comprehensive income		**–**	**–**	**80,168**	**(135)**	**80,033**
Dividends paid	7	–	–	(63,869)	–	(63,869)
Supplementary dividends		–	–	(8,605)	–	(8,605)
Tax credit on supplementary dividends		–	–	8,605	–	8,605
Share based payments	13.2	–	195	–	–	195
As at 30 June 2015		**1,069,814**	**461**	**106,428**	**(485,872)**	**690,831**
Profit		–	–	74,943	–	74,943
Currency translation differences		–	–	–	(17)	(17)
Movement in cash flow hedge reserve (net of tax)		–	–	–	(744)	(744)
Total comprehensive income		**–**	**–**	**74,943**	**(761)**	**74,182**
Dividends paid	7	–	–	(64,708)	–	(64,708)
Supplementary dividends		–	–	(8,921)	–	(8,921)
Tax credit on supplementary dividends		–	–	8,921	–	8,921
Share based payments	13.2	–	117	124	–	241
As at 30 June 2016		**1,069,814**	**578**	**116,787**	**(486,633)**	**700,546**

The above statement should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Operating activities			
Profit before income tax		108,005	111,555
Adjustments to reconcile profit before income tax to net operating cash flows:			
Depreciation of property, plant and equipment		3,386	3,179
Amortisation of intangible assets		15,481	12,105
Impairment		8,053	–
Share-based payment expense		381	297
Doubtful debts expense		275	208
Gain on disposal of property, plant and equipment		(14)	(240)
Finance costs		7,406	9,809
Share of losses from associate		1,643	846
Other		(193)	(531)
Working capital adjustments:			
Increase in trade and other receivables and prepayments		(1,557)	(2,101)
Increase in trade and other payables		3,227	1,950
Income tax paid		(23,419)	(23,813)
Net cash flows from operating activities		**122,674**	**113,264**
Investing activities			
Purchase of property, plant and equipment		(5,547)	(2,357)
Capitalisation of intangibles		(19,568)	(14,402)
Business acquisition		–	(2,000)
Asset disposals		1,159	–
Deferred payments from previous business acquisitions	6	(2,222)	–
Investment in Harmoney		–	(7,744)
Loan repayments made to the Group		500	250
Net cash flows (used in) investing activities		**(25,678)**	**(26,253)**
Financing activities			
Dividends paid		(73,629)	(72,474)
Repayment of debt		(30,000)	–
Interest paid on borrowings (including facility fees)		(7,531)	(7,913)
Net cash flows (used in) financing activities		**(111,160)**	**(80,387)**
Net (decrease)/increase in cash and cash equivalents		(14,164)	6,624
Cash and cash equivalents at beginning of period		48,277	41,653
Cash and cash equivalents at end of period		**34,113**	**48,277**

The above statement should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the year ended 30 June 2016

1 Reporting entity and statutory base

Trade Me Group Limited (the "Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX") and the Australian Stock Exchange ("ASX"). The Company is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. For the purposes of NZ GAAP the entry is a for profit entity. The address of its registered office and primary place of business is Level 5, 2 Market Lane, Wellington, New Zealand.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The nature of the operations and principal activities of the Group are to provide online marketplaces that connect people to undertake a transaction or form a relationship. The Group's businesses include providing a new and used goods marketplace, classified advertising for motor vehicles, real estate and employment, online advertising services and other ancillary online businesses.

2 Basis of accounting

Basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, and other items where specifically noted in the notes to the financial statements, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000s).

Both the functional and presentation currency of the Company is New Zealand dollars ($). Transactions in foreign currencies are initially recorded in New Zealand dollars by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate at balance date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Goods and Services Tax ('GST')

The financial statements have been prepared so that all components are stated exclusive of GST, except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of the expense item as applicable; and
- trade receivables and payables, which include GST invoiced.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. This requires management to estimate the future cash flows expected to arise from the Group's cash-generating units and a suitable discount rate. Refer note 4.

The Group's process for calculating the amount of internally developed platform costs to be capitalised is judgemental and involves estimating the hours that employees spend developing the platform and determining the costs attributable to that time. A margin is added to employees' salary costs to account for indirect costs attributable to the development. This margin is reviewed annually to ensure it remains appropriate.

The useful life used to amortise capitalised platform development costs is estimated based on historical experience as well as anticipation of future events which may impact their life. The useful life represents management's view of the expected term over which the Group will receive benefits from the development and is regularly reviewed for appropriateness. Refer note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at the reporting date. Control is achieved where the Company 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 over the entity.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

New standards, amendments and interpretations

There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted

New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board in New Zealand (XRB) have been published that will be mandatory for the Group's accounting periods beginning after 1 July 2016. None of these standards have been early adopted by the Group. The relevant new standards, amendments and interpretations include:

NZ IFRS 15, 'Revenue from Contracts with Customers'

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard provides a single comprehensive principles-based five step model to be applied to all contracts with customers. The standard replaces NZ IAS 18 'Revenue' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 15.

NZ IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in July 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through the income statement. The basis of classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset.

Under NZ IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 9.

NZ IFRS 16 'Leases'

This standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts. The standard is effective for accounting periods beginning on or after 1 January 2019 with early adoption permitted. The Group is yet to assess the impact of adopting NZ IFRS 16.

There are other standards, amendments and interpretations which have been approved but are not yet effective. The Group expects to adopt these when they become mandatory. None are expected to materially impact the Group's financial statements.

3 Segment reporting

(a) Identification of reportable segments

The Group has determined its operating segments based on the reports reviewed by the Group's Chief Executive Officer to assess performance, allocate resources and make strategic decisions. The reportable segments are based on aggregating operating segments based on the similarity of the services provided.

The Group's reportable segments are as follows:

General Items

The General Items segment is our online marketplace business. Revenue is generated from listing fees, premium fees and success fees and performance is driven by both the number of completed transactions and the total sales value of completed transactions.

Classifieds

The Classifieds segment represents advertising revenue from each of our three classified advertising sites: Motors, Property and Jobs. Revenue is generated primarily from basic and premium listing fees.

Other

The Other segment reflects all other businesses, including advertising, travel, dating, payments gateway, life and health insurance comparison and general insurance.

(b) Segment revenues, EBITDA* and reconciliation to profit before income tax

The following is an analysis of the Group's revenue and EBITDA by reportable segment.

	Revenue		EBITDA*	
Operating Segments	2016 $'000	2015 $'000	2016 $'000	2015 $'000
General Items	65,726	63,480	48,644	49,866
Classifieds	112,782	99,635	78,177	68,625
Other	39,541	36,579	15,302	16,736
Total	**218,049**	**199,694**	**142,123**	**135,227**
Reconciliation to overall result				
Share of losses from associate			(1,643)	(846)
EBITDA*			**140,480**	**134,381**
Depreciation and amortisation			(18,867)	(15,284)
Impairment			(8,053)	–
Finance income			1,851	2,267
Finance costs			(7,406)	(9,809)
Profit before income tax			**108,005**	**111,555**

*EBITDA (a non-GAAP measure) reflects earnings before interest, tax, depreciation, amortisation and impairment.

The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the notes to these financial statements.

Segment revenue reported above represents revenue generated from external customers. Immaterial inter-segment revenues have been excluded from the above segment results.

The assets and liabilities of the Group are reported to and reviewed by the Chief Executive Officer in total and are not allocated by operating segment. Therefore, operating segment assets and liabilities are not disclosed.

The Group operates largely within New Zealand. The Group owns an Australian subsidiary, Motorweb Australia Pty Limited, which generates revenues in Australia, and the Group has international sellers generating revenues overseas, largely in the marketplace business. Revenues from foreign countries amounted to $7.4m (2015: $5.0m).

No single customer contributed 10% or more to the Group's revenue (2015: nil).

4 Intangible assets

	Goodwill $'000	Brand $'000	Software $'000	Development $'000	Other $'000	Total $'000
30 June 2015	**748,331**	**32,696**	**6,976**	**19,496**	**1,214**	**808,713**
30 June 2016	**740,073**	**32,696**	**3,830**	**26,961**	**982**	**804,542**

Initial recognition

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. After initial recognition these intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired software licenses and costs directly incurred in purchasing or developing computer software are capitalised as intangible assets when it is probable that they will generate future economic benefits for the Group.

Platform development costs include external costs and salaries and overheads that are directly attributable to the development of our website and the underlying platforms. Costs are capitalised for projects that are not maintenance in nature and are going to enhance user experience, maintain and grow audience and help generate future economic benefits.

Goodwill arising from business combinations is initially measured at cost, being the excess of the sum of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

Impairment considerations

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). When new businesses are acquired and goodwill is recognised, goodwill is allocated to these CGUs.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or in the case of goodwill and brand annually, the Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets. Impairment losses recognised for goodwill are not reversed in a subsequent period.

The recoverable amount is the greater of the fair value less costs to sell or the asset's value in use. Value in use is calculated by discounting estimated future cash flows using a pretax discount rate. The value in use calculations at 30 June 2016 use cash flow projections based on the 2017 financial budgets approved by the directors extrapolated over a four-year period, pre tax discount rates of between 12%–17% per annum and a terminal growth rate of 2%. Management has also considered the Group's market capitalisation when performing the impairment assessment.

Brand is not separately allocated to CGUs as it cannot be separately sold and does not generate separate cash flows. Brand has an indefinite useful life and is reviewed for impairment annually by looking at the value in use calculation for the Group as a whole, using assumptions consistent with those above.

4.1 Goodwill and Brand

	Goodwill $'000	Brand $'000	Total $'000
Balance at 1 July 2014	**746,602**	**32,696**	**779,298**
Additions	1,612	–	1,612
Effect of movements in foreign exchange	117	–	117
Balance at 30 June 2015	**748,331**	**32,696**	**781,027**
Effect of movements in foreign exchange	(205)	–	(205)
Impairment charge	(8,053)	–	(8,053)
Balance at 30 June 2016	**740,073**	**32,696**	**772,769**

Allocation of goodwill to CGUs

Management reviews the business performance for three reportable segments (refer note 3), being separately identifiable groups of CGUs. The following is a summary of the goodwill allocation to each CGU group:

Cash generating unit group ('CGU')	2016 $'000	2015 $'000
General Items	295,663	295,663
Classifieds	368,204	368,409
Other	76,206	84,259
	740,073	**748,331**

Goodwill impairment testing

At balance date, goodwill associated with our online dating business, FindSomeone, was impaired due to increased competition. The FindSomeone CGU belongs to the "Other" group of CGUs.

The recoverable amount of the FindSomeone CGU was calculated using a value in use discounted cash flow model. Future cash flows were projected for five years. The pre-tax discount rate used was 16.4% (2015: 16.4%). The recoverable amount was calculated at $4.3m and being lower than the carrying amount of the CGU at $12.4m an impairment charge of $8.1m has been recognised in the statement of comprehensive income.

There was no other impairment of goodwill or brand. Management believe that any reasonable possible change in the key assumptions including an increase in the discount rate applied or a reduction in future growth rates, would not cause the carrying amount to exceed its recoverable amount.

4.2 Other Intangible Assets

Amortisation and disposal

Other intangible assets are amortised on a straight-line basis over the estimated useful life of the specific assets as follows:

- Platform development costs 33%
- Software 25%–40%
- Customer relationships 14%

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

	Note	Software $'000	Platform development $'000	Other $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2014		**24,552**	**15,658**	**1,994**	**42,204**
Additions		662	13,460	–	14,122
Acquisition as part of a business combination		452	–	–	452
Disposals		–	(2,431)	–	(2,431)
Balance at 30 June 2015		**25,666**	**26,687**	**1,994**	**54,347**
Additions		1,216	18,352	–	19,568
Disposals		(116)	(4,389)	–	(4,505)
Balance at 30 June 2016		**26,766**	**40,650**	**1,994**	**69,410**
Accumulated amortisation					
Balance at 1 July 2014		**(12,770)**	**(3,667)**	**(550)**	**(16,987)**
Amortisation		(5,920)	(5,955)	(230)	(12,105)
Disposals		–	2,431	–	2,431
Balance at 30 June 2015		**(18,690)**	**(7,191)**	**(780)**	**(26,661)**
Amortisation		(4,362)	(10,887)	(232)	(15,481)
Disposals		116	4,389	–	4,505
Balance at 30 June 2016		**(22,936)**	**(13,689)**	**(1,012)**	**(37,637)**
Net book value					
Balance at 30 June 2015		**6,976**	**19,496**	**1,214**	**27,686**
Balance at 30 June 2016		**3,830**	**26,961**	**982**	**31,773**

5 Associates

The Group has a 12.4% (2015: 14.1%) interest in lending platform Harmoney Corp Limited (Harmoney), New Zealand's first peer-to-peer lending company. Harmoney is an unlisted company incorporated in New Zealand.

Significant influence is held over Harmoney through the Group having a member on the Harmoney Board of Directors.

No dividends have been received from Harmoney in the year ended 30 June 2016.

Harmoney has a 31 March reporting date. The balance sheet below reflects Harmoney's audited financial statements for the year ended 31 March 2016. The equity accounted earnings reflect Harmoney's audited financial statements to 31 March 2016, and management accounts from that date to 30 June 2016.

Balance sheet information for Harmoney:	2016 $'000	2015 $'000
Current assets	8,742	9,053
Non current assets	616	806
Total assets	9,358	9,859
Current liabilities	2,537	1,785
Total liabilities	2,537	1,785
Equity	**6,821**	**8,074**
Equity accounted earnings comprise:		
Revenues – 100%	9,700	2,378
Loss from continuing operations – 100%	(12,325)	(6,015)
Loss from continuing operations – Trade Me share	(1,643)	(846)
Movement in the carrying amount of investment in Harmony:		
Carrying value at 1 July	6,898	7,744
Share of losses from associate	(1,643)	(846)
Issuance of capital	301	–
Carrying value at 30 June	**5,556**	**6,898**

Investments in associates are accounted for using the equity method of accounting. Associates are entities over which the Company has significant influence and that are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, investments in associates are carried at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition reserve movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are not recognised in profit or loss, but instead are recorded as a reduction in the carrying amount of the investment.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of earnings from associate" line in the statement of comprehensive income. There was no impairment of investment in associate at 30 June 2016 (2015: no impairment).

6 Liabilities and other commitments

Trade and Other Payables	2016 $'000	2015 $'000
Trade payables	8,092	9,710
Accrued expenses	7,712	5,372
Revenue in advance	2,313	2,146
Employee entitlements	2,047	1,873
	20,164	**19,101**

Provisions	2016 $'000	2015 $'000
Provision for contingent consideration – Viewing Tracker	103	306
Provision for contingent consideration – LifeDirect	2,424	4,244
	2,527	**4,550**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date using a discounted cash flow methodology. The increase in the liability as a result of the passage of time is recognised in finance costs.

The fair value of the provision for contingent consideration arising from business combinations has been determined using the present value of a weighted average range of possible earn out payments based on the Group's assessment of the probability of achieving each of the targets within the range. The discount rates used are 4.86%–5.37% (2015: 4.86%–5.37%). The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

If the probabilities of reaching the revenue targets in the upper half of the range of possible payment hurdles were increased by 5% and those in the lower half decreased by 5%, or if the converse was applied there would be an immaterial change to contingent consideration.

During the year we made provisional earn-out payments of $2.0m for LifeDirect and $0.2m for Viewing Tracker. The respective provisions have been reassessed at the reporting date and other than to unwind the present value discount no other change has been made as a result. The remainder of the contingent consideration is expected to be paid out within the next 12 months.

Liabilities for wages, salaries and annual leave are recognised in the provision for employee entitlements and measured at the amounts expected to be paid when the liabilities are settled. The employee entitlement liability is expected to be settled within 12 months from balance date and is recognised in current liabilities.

Interest-bearing loans and borrowings

The Group has a $166 million revolving cash advance loan facility with Commonwealth Bank of Australia (70%) and Westpac Banking Corporation (30%). $136 million was drawn down as at 30 June 2016. During the year ended 30 June 2016, the Group refinanced the existing lending through syndication as follows:

Description	Maturity Date	2016 $'000	2015 $'000
Full facility	11-Sep-16	–	166,000
Tranche 1	11-Dec-18	83,000	–
Tranche 2	11-Dec-19	53,000	–
Loan establishment costs		(147)	(116)
		135,853	**165,884**

The facility is guaranteed by the Company and its wholly owned subsidiary Trade Me Limited. The covenants entered into by the Group require specific calculations of the Group's net debt to EBITDA, and interest cover. There have been no covenant breaches.

The facility incurs interest based on market floating rates that are re-set every 90 days.

Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Commitments

(a) Lease Commitments	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,540	2,827
Later than one year but not later than five years	9,265	10,021
Later than five years	5,403	4,291
	17,208	**17,139**

The Group leases premises. Operating leases held over properties give the Group the right to renew the lease subject to a re-determination of the lease rental by the lessor.

Where the Group is the lessee, leases where the lessor retains substantially all the risks and benefits of ownership of assets are classified as operating leases. Net rental payments, excluding contingent payments, are recognised as an expense in profit or loss on a straight-line basis over the period of the lease. Operating lease incentives are recognised as a liability when received and subsequently reduced by an offset to rental expense and a corresponding reduction to the liability.

(b) Capital Commitments

The Group has no material capital commitments as at 30 June 2016 (2015: $nil).

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2016 (2015: $nil).

7 Share information

Movement in total shares on issue	2016 $'000s	2015 $'000s
Balance at beginning of period	**396,888**	**396,585**
Issue of restricted shares	419	415
Cancellation of restricted shares	(214)	(112)
Balance at the end of the period	**397,093**	**396,888**
Comprised of		
Restricted shares	1,024	819
Ordinary shares	396,069	396,069

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares do not have a par value. Restricted shares are the same as ordinary shares except they cannot be sold until they vest and convert to ordinary shares.

Earnings per share

The earnings and weighted average number of ordinary and restricted shares used in the calculation of basic and diluted earnings per share are as follows:

	2016	2015
Earnings used for the calculation of basic and diluted earnings ($'000)	74,943	80,168
Weighted average number of shares on issue (000's)	397,087	396,792
Basic and diluted earnings per share (cents)	18.87	20.20

Basic earnings per share amounts are calculated by dividing profit for the year by the weighted average number of ordinary and restricted shares outstanding during the year. Diluted earnings per share equals basic earnings per share, since there are no potentially dilutive ordinary shares.

Dividends paid or authorised

		2016 $'000s	2015 $'000s
Final dividend for 2014	at 8.4 cents per share		33,313
Interim dividend for 2015	at 7.7 cents per share		30,556
Final dividend for 2015	at 8.5 cents per share	33,735	
Interim dividend for 2016	at 7.8 cents per share	30,973	
Dividends declared and proposed after reporting date, but not recorded as a liability in these financial statements:	at 9.0 cents per share	35,738	

8 Tax

	2016 $'000	2015 $'000
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax charge	33,251	31,758
Deferred tax relating to the origination and reversal of temporary differences	(189)	(371)
Total tax charge	**33,062**	**31,387**

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2016 $'000	2015 $'000
Profit before income tax	108,005	111,555
Income tax expense calculated at 28%	30,241	31,235
Non-deductible expenses	2,837	330
Non-assessable income	(52)	(236)
Other	36	58
	33,062	**31,387**

Imputation credit account	2016 $'000	2015 $'000
Imputation credits available for use in subsequent periods	30,962	21,289

The imputation credit amount represents the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the provision for income tax payable post balance date. The actual imputation credits available at balance date as determined by the Income Tax Act 2007 are $23,275,000 (2015: $14,219,000)

The income tax expense or benefit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are recognised for temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are not recognised if the temporary difference arises from goodwill.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

9 Trade and other receivables

Current assets	2016 $'000	2015 $'000
Trade receivables	11,355	10,763
Provision for doubtful debts	(506)	(364)
Other	3,159	4,045
	14,008	**14,444**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an on-going basis and a provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, or amounts significantly overdue are considered objective evidence of impairment. There are no overdue debtors considered impaired that have not been provided for.

10 Property, plant and equipment

	Note	Motor vehicles $'000	Computer equipment $'000	Plant and equipment $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2014		**79**	**16,772**	**4,210**	**21,061**
Additions		–	4,162	1,589	5,751
Acquisitions as part of business combination		4	201	90	295
Disposals		(29)	(693)	–	(722)
Balance at 30 June 2015		**54**	**20,442**	**5,889**	**26,385**
Additions		–	2,596	739	3,335
Disposals		–	(4,021)	(77)	(4,098)
Balance at 30 June 2016		**54**	**19,017**	**6,551**	**25,622**
Accumulated depreciation					
Balance at 1 July 2014		**(64)**	**(13,136)**	**(1,054)**	**(14,254)**
Depreciation		(9)	(2,655)	(515)	(3,179)
Disposals		27	576	–	603
Balance at 30 June 2015		**(46)**	**(15,215)**	**(1,569)**	**(16,830)**
Depreciation		(7)	(2,678)	(701)	(3,386)
Disposals		–	4,021	77	4,098
Balance at 30 June 2016		**(53)**	**(13,872)**	**(2,193)**	**(16,118)**
Net book value					
Balance at 30 June 2015		**8**	**5,227**	**4,320**	**9,555**
Balance at 30 June 2016		**1**	**5,145**	**4,358**	**9,504**

Property, plant and equipment is stated at historical cost less depreciation.

Depreciation on assets is charged on a straight-line basis to allocate the difference between their original costs and the residual values over their estimated useful lives, as follows:

Major depreciation categories are as follows:

- Plant and equipment 7%–21%
- Computer equipment 33%–67%
- Motor vehicles 21%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance date. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is written down immediately to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. When an item of property, plant and equipment is disposed of, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

11 Subsidiaries

Details of the Company's subsidiaries at balance date are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Ownership interests and voting rights 2016	2015
Trade Me Limited	Operate and manage all Trade Me platforms	New Zealand	100%	100%
Old Friends Limited	Non-trading	New Zealand	100%	100%
TMG Trustee Limited	Non-trading	New Zealand	100%	100%
Trade Me Comparisons Ltd	Online insurance comparison	New Zealand	100%	100%
Motorweb Australia Pty Limited	Online vehicle data services	Australia	100%	100%
Kevin's Australian Investments Pty Limited	Holding company	Australia	100%	100%
Paystation Limited	Payments gateway	New Zealand	100%	100%

12 Revenue and expenses

Other expenses

Other expenses include:

Remuneration of the auditors	2016 $'000	2015 $'000
Audit of annual financial statements	107	104
Review of interim (half year) financial statements	46	44
Preparation of greenhouse gas emission reporting ('CarboNZero')	–	9
Remuneration market pricing	–	5
Total remuneration paid or payable to EY	**153**	**162**
Rent	3,367	3,028

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured.

Revenue is earned in our General Items and Classifieds businesses either from invoicing customers for services provided during the period, or from members who incur fees through their Trade Me accounts for services provided in connection with listing, promoting or selling goods, vehicles, property or jobs across Trade Me's platforms. Revenue is recognised at the point at which the service is provided.

Revenue is earned in our Other businesses from either invoicing customers for services provided during the period, or from customers directly purchasing services on Trade Me's platforms. Revenue is recognised at the point at which the service is provided.

Finance income

Interest revenue is recognised as interest accrues using the effective interest method.

Finance costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Finance costs are expensed in the period in which they occur, other than associated transaction costs, which are capitalised and amortised over the term of the facility to which they relate.

13 Compensation of management personnel

13.1 Key management personnel

The remuneration of key management of the Group during the year was as follows:

	2016 $'000	2015 $'000
Short-term benefits	4,279	4,179
Share-based payments	207	155
Total compensation	**4,486**	**4,334**

13.2 Share based payment plans

Certain employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

Equity-settled employee share plans

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted, and determined using an appropriate pricing model. The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense at each reporting date until vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The Company grants restricted shares with a typical vesting period of three years to management, but this vesting period may vary where the restricted shares are awarded to retain an employee for a critical period. The restricted shares have all the rights attached to ordinary shares (including the right to dividends), but may be redeemed by the Company if the qualification criteria are not met.

The following table shows the number of restricted shares outstanding at the end of the period, the weighted average issue price, the weighted average fair value and the vesting date for reclassification of the restricted shares into ordinary shares:

Payment plan reference	Grant date	Outstanding at end of period	Weighted average issue price	Weighted Average Fair value	Vesting date
FY14 plan	1-Oct-13	208,591	$4.45	$2.43	30-Sep-16
FY15 plan	1-Oct-14	396,442	$3.55	$1.89	30-Sep-17
FY16 plan	1-Oct-15	418,864	$3.72	$2.00	30-Sep-18

Vesting criteria: Two performance hurdles described below will be used before vesting occurs:

Hurdle 1 – Will apply to 50% of the shares in each tranche

If the Company's total shareholder return (representing dividend per share plus increase in share price divided by initial share price) is in the top quartile of companies in the NZX 50 Index (the Index) over the vesting period to the vesting date, then 100% of shares will vest. For performance between median and top quartile, vesting will occur on a straight-line basis so that 50% of the shares vest for median performance and 100% vesting occurs for top quartile performance. No shares will vest if the total shareholder return is below the median in the Index or the participant is not in continuous employment at this date.

Hurdle 2 – Will apply to 50% of the shares in each tranche

If the growth rate of the Group's earnings per share equals or exceeds a compound annual rate over the 3 financial years ending on 30 June prior to the end of the vesting period of 12% per annum, then 100% of the shares will vest. For performance between 8% and 12% per annum, vesting will occur on a straight-line basis so that 50% of the shares vest for performance at 8%, and full vesting occurs for performance at 12%. No shares will vest if the performance return is below 8% per annum or the participant is not in continuous employment at this date.

Plan modifications or changes

The FY13 plan comprising of 191,552 shares, whose vesting dates had not been previously met and had been pushed out by the Board to 30 September 2015, was cancelled during the current year as the vesting targets were again not met. There were no cancellations to plans during the year ended 30 June 2015.

The expense recognised in the current period was $0.4 million (2015: $0.3 million), with a corresponding liability for PAYE of $0.5 million (2015: $0.3 million) and an increase in equity of $0.1 million (2015: $0.2 million).

14 Financial instruments

14.1 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity 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. Short-term deposits with an original maturity of greater than three months are also included within cash and cash equivalents if the term deposit can be terminated at an earlier date without incurring penalties. Cash and cash equivalents includes term deposits of $20 million (2015: $30 million).

4.2 Derivative financial instruments

The Group uses derivative financial instruments to manage its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The derivative financial instruments at balance date are all interest rate swaps, the details of which are reported below under interest rate risk.

14.3 Financial risk management

Financial risk management

In the normal course of business the Group is exposed to a variety of financial risks, which includes market risk, credit risk and liquidity risk. The Group's treasury policy recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects of market movements. The management of these risks is performed in accordance with the treasury policy approved by the Board of Directors. This policy covers specific areas such as interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Market risk

Interest rate risk

The Group's primary interest rate risk arises from bank borrowings which are reset every 90 days to market rates. The Group's treasury policy requires the use of derivative financial instruments to manage interest rate risk. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at floating rates and pay interest at fixed rates, where cumulative net settlement of interest is payable or receivable quarterly. Swaps in place cover $120m (2015: $90m) of the principal outstanding and mature over a three year period.

The notional principle amounts and period of expiry of the interest rate swap contracts are as follows:

	2016 $'000	2015 $'000
0–1 years	50,000	20,000
1–2 years	20,000	50,000
2–3 years	50,000	20,000
	120,000	**90,000**
Fair value interest rate swaps		
Current portion	(845)	(723)
Non-current portion	(1,177)	(630)

At balance date the Group had the following financial assets and liabilities exposed to New Zealand variable interest rate risk:

	2016 $'000	2015 $'000
Cash	34,113	48,277
Interest bearing loans and borrowings	(136,000)	(166,000)
Interest rate swaps	(2,022)	(1,353)

If interest rates had moved by + / - 1%, with all other variables held constant, the Group profit before income tax for the year ended 30 June 2016 would have increased/decreased by $0.7 million (2015: increased/decreased by $0.3 million). The Group's equity would have increased/decreased by $1.0 million (2015: increased/decreased by $0.4 million). The movement in the Group's equity is due to changes in the fair value of interest rate swaps designated as cash flow hedges.

Credit risk

Exposure to credit risk arises from the potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets. The Group's credit risk arises from the Group's financial assets, which include cash and cash equivalents, loans and trade and other receivables.

30 June 2016	AA- and above $'000	Not rated $'000
Cash and cash equivalents	34,113	–
Trade receivables	–	10,849

30 June 2015	AA- and above $'000	Not rated $'000
Cash and cash equivalents	48,277	–
Trade receivables	–	10,399

For banks and financial institutions only independently rated parties with a minimum long term Standard & Poor's rating of AA- are accepted. The Group's treasury policy also sets the maximum counterparty credit exposure to any individual bank or financial institution.

Trade and other receivables recognised in the statement of financial position consist of a large number of customers, and consequently there is no concentration of credit risk with respect to debtors.

The Group has a concentration of credit risk with its cash and cash equivalents, which are held with three banks.

The loans are secured over a number of interests including shares, and other property.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligation to repay its financial liabilities as and when they fall due.

The following table details the Group's remaining contractual maturity of its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted cash flows are derived from the interest rate at 30 June.

Group

	Less than 6 Months $'000	6–12 Months $'000	1–3 Years $'000	Total $'000
2016				
Trade and other payables	20,164	–	434	20,598
Borrowings	2,420	2,420	144,934	149,774
Interest rate swaps	547	483	541	1,571
	23,131	**2,903**	**145,909**	**171,943**
2015				
Trade and other payables	19,101	–	423	19,524
Borrowings	3,768	3,768	167,487	175,023
Interest rate swaps	288	318	682	1,288
	23,157	**4,086**	**168,592**	**195,835**

Hedge accounting

The Group designates and documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. At hedge inception (and on an ongoing basis), hedges are assessed to establish if they are effective in offsetting changes in fair values or cash flows of hedged items. The Group discontinues hedge accounting if (a) the hedging instrument expires or is sold, terminated, or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the hedge designation is revoked. Hedges are classified primarily as cash flow hedges.

Fair values

Financial instruments included in these financial statements include cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing loans and borrowings and derivative financial instruments. The carrying amounts of these financial instruments are a reasonable approximation of their fair values.

Derivative financial instruments are classified as "fair value through profit or loss" and are categorised into one of three levels based on the quality of inputs used to determine fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Derivative financial instruments are classified as level 2.

The fair value of derivative financial instruments has been determined using observable market interest rate data as at balance date.

Refer to below table, which shows movements in fair value of derivative financial instruments:

	2016 $'000	2015 $'000
Changes in fair value of interest rate swaps recognised in finance costs	364	(1,663)
Effective portion of changes in fair value of cash flow hedges recognised in other comprehensive income	(1,033)	(200)
Loss in fair value of interest rate swaps	**(669)**	**(1,863)**

15 Other Reserves

Nature and purpose of reserve

Acquisition reserve

On 13 December 2011 the Company completed its initial public offering and became a stand alone company listed on both the NZX and ASX. The use of the existing book values in the Group's statement of financial position at 13 December 2011, together with the new share capital and debt resulted in a debit adjustment on consolidation of $485.7 million.

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The foreign currency translation reserve contains foreign exchange differences arising on consolidation of foreign operations.

Other reserves	Acquisition reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total
As at 1 July 2014	**(485,737)**	**–**	**–**	**(485,737)**
Changes during the period	–	(144)	9	(135)
As at 30 June 2015	**(485,737)**	**(144)**	**9**	**(485,872)**
Changes during the period	–	(744)	(17)	(761)
As at 30 June 2016	**(485,737)**	**(888)**	**(8)**	**(486,633)**

16 Events after the reporting period

Other than the final dividend disclosed in note 7, there have been no events after 30 June 2016 that require disclosure in these financial statements.

Chartered Accountants

Independent Auditor's Report to the Shareholders of Trade Me Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trade Me Group Limited ("the company") and its subsidiaries (together "the group") on pages 6 to 29, which comprise:

- the statement of financial position of the group as at 30 June 2016,
- the statement of comprehensive income of the group,
- the statement of changes in equity of the group; and
- the statement of cash flows of the group for the year then ended, and
- the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 6 to 29 present fairly, in all material respects, the financial position of the group as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Testing of Goodwill & Brand for Impairment

Why significant	How our audit addressed the key audit matter
Refer to Note 4 of the financial statements. Goodwill and Brand assets have been recognised in the Group financial statements with a value of $773 million. These assets make up a significant portion (89%) of the Group's total assets. The cash generating units identified by the Group to which Goodwill has been allocated for impairment testing represent 12 identifiable revenue generating operational segments which, for management purposes, are allocated to three reportable segments. NZ IAS 38 *Intangible Assets* requires that indefinite lived intangible assets such as goodwill and brands be impairment tested annually in accordance with NZ IAS 36 *Impairment of Assets*. This impairment assessment requires judgement. The key judgement is considered to be in relation to the forecast operational performance of the component parts of the Group. Other judgements are the related discount rates and the terminal value growth rates.	Our work focused on understanding the overall calculation and methodology of the Group's impairment assessment, as well as examining significant inputs at an appropriate level for each component of goodwill. In obtaining sufficient audit evidence for each component we: • assessed the earnings forecasts included in the impairment test model with reference to actual historical earnings; • tested, using our valuation specialists, the impairment calculations within the impairment model including the application of discounting to future cash flows, the calculation of terminal values and the utilisation of actual net asset values for testing; • involved our valuation specialists to assess the growth rates and discount factors applied in consideration of relevant comparators; • performed a sensitivity analysis for movements in key assumptions used in the calculation; and • evaluated the related financial statement disclosures.

2. Capitalised Development Costs

Why significant	How our audit addressed the key audit matter
Refer to Note 4 of the financial statements. Trade Me capitalises costs for internally developed software and then amortises the software over its estimated useful life. In the year to 30 June 2016, $18.3 million of costs were capitalised to Development Costs resulting in $27.0 million of costs being recognised as an asset in the statement of financial position. $10.9 million of amortisation costs were recognised in the statement of comprehensive income for the year ended 30 June 2016. The Group's process for calculating the amount of internally developed software costs to be capitalised is judgemental and involves estimating the hours which staff spend developing software and determining the costs attributable to that time. The Group's assessment of the economic useful life of the software is judgemental, taking into consideration the best available evidence on market developments, the nature of the developments capitalised, the approach adopted in development and the demand for the underlying services recognised by Trade Me.	Our work on capitalised development costs focused on the Group's process for identifying relevant projects that contributed to the value of the capitalised development costs, capturing hours relevant to internally developed software and the calculation of the directly attributable cost of these hours. We also focused on the amortisation period established for those costs. In obtaining sufficient audit evidence, we: • Checked the job descriptions for staff that had time capitalised in the period to assess whether they were appropriately included in the cost of internally developed software; • Understood the projects which were assessed as being capital in nature and assessed these against the requirements for capitalisation in NZ IAS 38 *Intangible Assets*; • Checked the cost rates applied to staff hours back to supporting payroll information drawn from the payroll business process over which we assessed the design and operating effectiveness of key controls; • Recalculated the attribution of other costs or where appropriate substantiated the costing of other (non-payroll) directly attributable costs; and • Assessed the amortisation periods established and compared this to the recent history of the economic use of similar releases and the development re-investment cycle carried out.

Information Other than the Financial Statements and Auditor's Report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and audit report which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the External Reporting Board website: https://www.xrb.govt.nz/Site/Auditing Assurance Standards/Current Standards/Page 1.aspx

The engagement partner on the audit resulting in this independent auditor's report is Stuart Mutch.

Ernst & Young

Wellington

17 August 2016

Directory: Trade Me Group Limited

Registered office

Trade Me Group Limited
Level 5
2 Market Lane
Wellington 6011

Board of directors

David Kirk	Chairman
Katrina Johnson	Non-Executive Director
Paul McCarney	Non-Executive Director
Sam Morgan	Non-Executive Director
Joanna Perry	Non-Executive Director

Executive team

Jon Macdonald	Chief Executive Officer
Caroline Rawlinson	Chief Financial Officer
Sarah Hard	Company Secretary
Fiona Ireland	Head of Human Resources
Nigel Jeffries	Head of Trade Me Property
Trent Mankelow	Chief Product Officer
Jimmy McGee	Head of Commercial
Stuart McLean	Head of Marketplace
Dave Wasley	Head of Platform & Operations

Investor information

The Trade Me investor relations website is at:
http://investors.trademe.co.nz/

Share registrar

If you have a shareholder-related query, please contact our share registrar, Link Market Services Limited:

New Zealand

Phone (09) 375 5998
Email enquiries@linkmarketservices.com
Address PO Box 91976, Auckland

Australia

Phone 1300 554 474
Email registrars@linkmarketservices.com.au
Address Locked Bag A14, Sydney South, NSW

Auditor

Ernst & Young
100 Willis Street
Wellington
New Zealand

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	Trade Me Group Limited
Name of officer authorised to make this notice	Caroline Rawlinson
Authority for event, e.g. Directors' resolution	Directors' resolution
Contact phone number	+64 (0) 21 860 821
Contact fax number	+64 4 803 2699
Date	17 / 8 / 2016

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	☑
If ticked, state whether: Interim	☐
Full Year	☑
Special	☐
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary and Restricted Shares
ISIN	NZTMEE0003S8

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g ① for ②	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.090
Source of Payment	Retained Earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZ Dollars
Total monies	$35,738,354

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.015882
Date Payable	20 September, 2016

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.006250
Imputation Credits (Give details)	$0.035000
Foreign Withholding Tax	$0.015882
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	9 September, 2016
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	20 September, 2016
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code: