



Annual Report | 2016





2016 Annual shareholder meeting of Trade Me Group

David Kirk will get this under way at 4pm on Thursday 10 November at Te Papa, 55 Cable St Wellington (www.tepapa.govt.nz).

The notice of meeting and agenda will be mailed to shareholders in early October 2016.

This report is dated 15 September 2016 and is signed on behalf of the Board of directors of Trade Me Group by:

David Kirk
Chairman

Joanna Perry
Director

For more investor information about Trade Me Group, please visit the Trade Me investor relations website at investors.trademe.co.nz



2016 highlights:

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from F16



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ASX	Australian Securities Exchange
EBITDA	Probably the best accounting acronym, and means earnings before interest, impairment, tax, depreciation and amortisation
F14	The financial year for the 12 months to 30 June 2014
F15	The financial year for the 12 months to 30 June 2015
F16	The Financial year for the 12 months to 30 June 2016
FTE	A full-time equivalent is a way to measure the workload of a person
GMS	Gross Merchandise Sales. The total value of items sold on Trade Me
IPO	An "initial public offering" is selling shares in a company to the public
Jargon	Technical words and acronyms that drive readers crazy and often need explaining
Kevin	The kiwi who stars in the Trade Me logo and famously dresses up on the homepage in various guises
Net operating profit	This number excludes a one-off impairment charge
NPAT	Net Profit After Tax
NZX	New Zealand Stock Exchange
OneHub	Our online portal for Real Estate agents to create their profile and effectively monitor their listings
Pre-associate	We part-own associated company Harmony, a peer-to-peer lender
TME	Trade Me's stock ticker
Trade Me	In this report, this refers to the company called Trade Me Group Limited, as opposed to the marketplace website called www.trademe.co.nz



Highlights



Highlight ① 2016

Momentum continues to grow

- Revenue up 9.2% on F15 to \$218m
- EBITDA up 4.5% on F15 to \$140m
- Net operating profit up 3.5% on F15 to \$83m
- Earnings per share of 18.87 cents
- Dividends of 7.8c per share paid in March and 9.0c per share to be paid in September

The year ended 30 June 2016 has been one of good progress for Trade Me. Our reinvestment in the business over the last three years is coming to fruition, with positive momentum in core metrics, and revenue growth translating into earnings growth as that reinvestment comes to completion.

Our revenue continued to grow strongly to a new record of \$218.0m, up 9.2 per cent on F15's \$199.7m.

The rate of our expense growth continues 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.

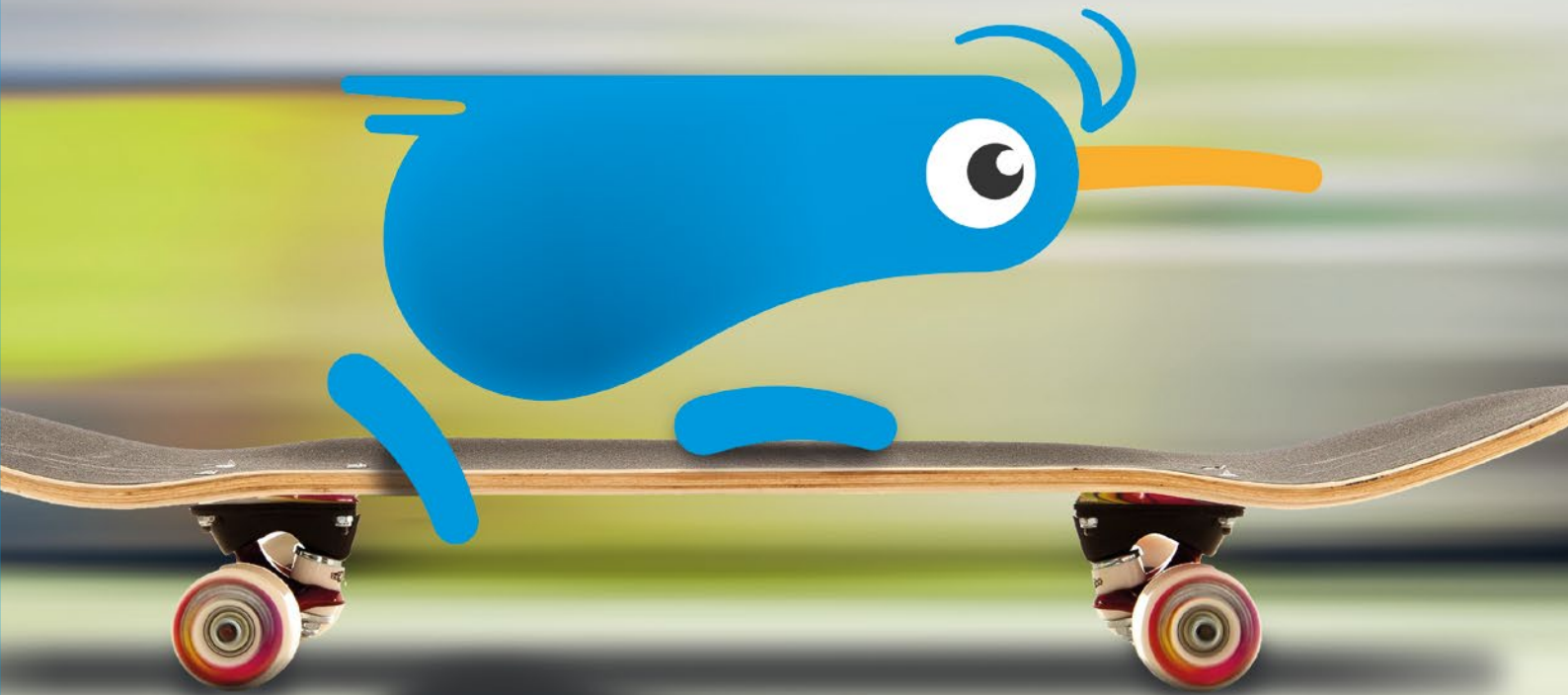
Our EBITDA for F16 was \$140.5m, up 4.5 per cent year-on-year. Excluding the losses from our stake in peer-to-peer lending start-up Harmony, our EBITDA was up 5.1 per cent year-on-year.

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.

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.

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.



Highlight ② 2016

Marketplace returns to growth

- Revenue up 3.5% on F15 to \$65.7m
- Sustained GMS strength driving revenue growth
- Product enhancements making a difference

In our General Items marketplace, we were delighted to see revenue growth return after two years.

Revenue 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 this was the key driver of the segment's revenue growth.

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 in February 2016, with the key changes including the introduction of free photos on all listings, a new flat success fee, and a 'no success fee' tier for items that sell for \$1 or less.

We were also pleased to release our 'Book a courier' service on Trade Me in April 2016, and see mitigating hassle for buyers and sellers around shipping as a big opportunity.



Highlight ③ 2016

Good contribution from classifieds trio

- Classifieds' revenue up 13.2% on F15 to \$112.8m
- Focus on premiums and product enhancements

Our three classifieds businesses across automotive, real estate and employment turned in another strong performance in F16.

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 after a strengthened sales effort, and MotorWeb revenue increase 15 per cent year-on-year. In July 2016 we launched a reviews and news section too.

Trade Me Property reported a 15.9 per cent year-on-year lift in revenue, with continued growth in listings from agents and very strong demand for premium products. 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, and heartened by the response to our OneHub agent-only portal.

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. 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.



Highlight ④ 2016

Strong mobile focus

- New mobile responsive design in progress
- 'Universal app' for iPhone and iPad users released
- More than 60% of our visits are from mobile devices

The number of mobile sessions on Trade Me overtook desktop sessions back in F14 and now comprises more than 60 per cent of total sessions.

Many browsers also use more than one device to access Trade Me during their day. These people 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 a new interface for Trade Me. This incorporates a responsive

design and will provide a more contemporary and consistent experience, regardless of the device they are using. 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 in July 2016. This provides an updated Trade Me experience for both iPhone and iPad users.



Highlight ⑤ 2016

509 people at Trade Me

- Caroline Rawlinson has joined as our new CFO
- Katrina Johnson joined as a director
- We bid farewell to director Gail Hambly

We continue to operate three offices with Trade Me HQ based in Wellington, along with a large office in Auckland and a small office in Christchurch.

The number of staff at Trade Me has grown considerably from 464 staff (437 FTEs) in July 2015, to 509 (487 FTEs) as at 31 July 2016.

One new face joined our Executive team 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.

Our previous CFO, **Jonathan Klouwens**, left Trade Me in May 2016 for a new role in investment banking.

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 became a public company in 2011, but began her association when Fairfax Media acquired Trade Me way back in 2006.



Highlight ⑥ 2016

New brand and ad campaign launched

- Revealed the new Kevin the Kiwi logo in July 2016
- New brand campaign launched
- Named New Zealand's most influential domestic brand

Trade Me continues to be 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.

However, 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 marketing 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 \$100 note sold by an auto mechanic from Geraldine. We have continued to bolster our expertise and resources around email marketing.



Life lives here

trademe 

Family car

Trade Me Motors ▾



The year in review

2015

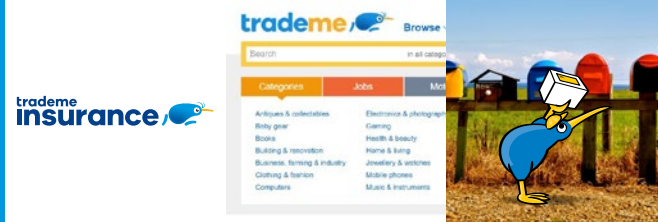
July



20 July Transparency Report

We released the third edition of our Transparency Report which details the information requests we get from Government agencies every year. We believe we're the only NZ company doing this.

August



14 August Trade Me Insurance launch

We partnered with TOWER to release Trade Me Insurance a completely online insurance offering for Kiwis.

17 August We launched our new homepage

To make it easier for our members to find what they needed and interact with cool things, we refreshed the face of Trade Me.

20 August F15 results

We announced that TME revenue was up 11% year-on-year to \$199.7m.

September



1 September Starship Spring Clean

For the sixth year we worked with Starship Hospital to encourage our members to clean out their cupboards, list their unwanted items and donate some of the sale proceeds to a great cause.

October

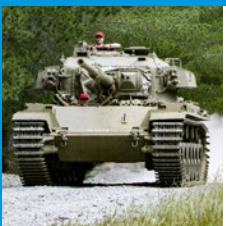


9 October 24 Hours at Trade Me video

TME is a 24/7 business and we wanted to show Kiwis what some of our team do to keep the Trade Me ship on course.

2016

January



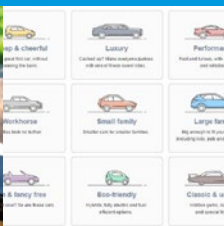
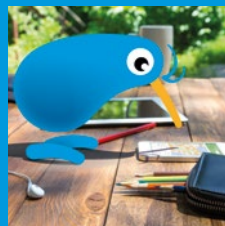
18 January Motors of the year

The most popular motors listings of 2015 included a tank, an amphibious Subaru Impreza and a replica Dukes of Hazzard Dodge Charger.

22 January We closed Old Friends

After 13 years, we closed Old Friends. It wasn't a decision we took lightly but we couldn't give it sufficient oxygen with other opportunities in our core business.

February



1 February Simplified pricing released

We simplified our pricing for General Items on Trade Me with a flat success fee of 7.9% and gave every listing 20 free photos.

11 February Help Me Choose launched

Our Motors team launched a new feature called Help Me Choose to give Kiwi motorists a hand picking the right vehicle.

17 February Interim results

We announced a dividend of 7.8 cents per share to be paid to shareholders on 22 March.

March



1 March Trade Me's 17th birthday

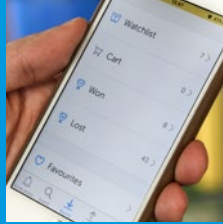
We turned 17 and celebrated with a massive three-tiered cake cooked by two of our most skilled in-house bakers.



14 October AGM

Held in Wellington, Gail Hambly and Paul McCarney were re-elected as directors after retiring by rotation.

November



18 November Trade Me iOS app turns 5

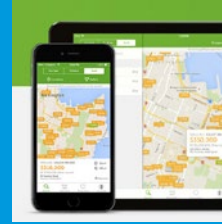
Our iPhone app turned five. It has been downloaded 1.5 million times and has more than 375,000 users log in each month.



22 November Zoo Brew

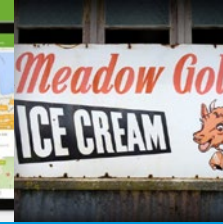
We worked with the Wellington Zoo Trust and Garage Project to create a unique beer called 'Zoo Brew' and ran some cool auctions to raise money for the Trust.

December



14 December Property sold prices

In the first edition of data on Trade Me Property, we added the most recent sold price data for properties across Auckland, Wellington City and Christchurch.



16 December Our billionth listing went on sale

We celebrated the 1 billionth listing on Trade Me by auctioning it off for charity. It was won by Trade Me member Junkstyle.



26 December Most viewed auction of the year

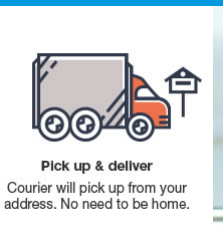
The most viewed listing of 2015 was an 'unwanted' \$100 note with over 260,000 views. It sold for \$257.



15 March RecNet launched

Trade Me Jobs created a handy tool to help job seekers find the right role for them. Our Recommendation Network shows jobs we think are relevant to members while searching onsite.

April



26 April Launched courier booking service

Trade Me sellers can now book a courier directly onsite and have it picked up from their doorstep.



28 April Caroline appointed

Caroline Rawlinson was appointed the new Trade Me Chief Financial Officer following the resignation of Jonathan Klouwens.

May



11 May Statutory write-offs

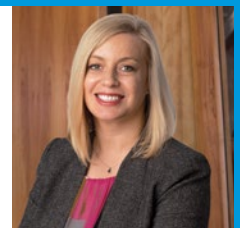
We added statutorily written off vehicles from Australia to our banned and restricted list. This helps give members the full picture when buying their next vehicle.

June



10 June Partnership with One Percent Collective

We partnered with Kiwi charity One Percent Collective to help them with the great work they're doing in the community.



23 June New director

Katrina Johnson was appointed as a new independent director of TME to replace Gail Hambly.



Letter to Trade Me shareholders

Dear Shareholders,

The net operating profit achieved by Trade Me in the 2016 financial year was \$83.0m. This result was a 3.5 per cent improvement on the 2015 financial year. Growth in the second half of 2016 was 6.5 per cent stronger than the comparable period a year earlier. Our period of relatively high investment in 2014 and 2015, which limited profit growth in those years, began to abate in the second half of the 2016 financial year.

All of our core businesses performed well in 2016. Our General Items marketplace returned to solid growth in the second half of the year. Gross merchandise sales (or GMS) is the total value of sales that we facilitate, and is an important number for online marketplaces to focus on. In 2016 new goods GMS grew by 9.0 per cent and used goods GMS grew by 6.1 per cent.

You can read more about the product and people investments that have been made to deliver this turnaround in GMS growth and the performance and prospects for all of Trade Me's businesses in Jon Macdonald's report.

In 2016, the revenue of our classified businesses grew by a healthy 13.2 per cent but the collection of other smaller businesses owned by Trade Me delivered lower growth than the previous year. Advertising and payments did well, but in dating and travel the global giants are taking business from FindSomeone and Travelbug.

Thoughtful investors will ask themselves if Trade Me is vulnerable to a giant international competitor.


Global companies, almost all based in the United States, include Google in search advertising, Facebook in social media, Booking.com in online travel, Amazon in online retail, Uber in taxi services, Tinder in dating and Airbnb in private accommodation are good examples.

However, Trade Me has important advantages in its core marketplace and classified advertising businesses that give us confidence no international competitor is about to dominate in Trade Me's core markets in New Zealand.

First, and most important, Trade Me has highly competitive products. In the marketplace business this means having the best range, pricing, delivery, payments and user experience on mobile and the website. This is what the company has been investing in heavily for the past three years. Trade Me won't ever

beat Amazon on total range but can win on pretty much all the other important elements of a great marketplace, including the trust of buyers and sellers.

Second, being local has some important advantages. Sellers can deliver products faster and large items, for which delivery cost is a significant part of the total cost of purchase, are much less expensive if bought locally. In many categories New Zealand based-sellers have a better understanding of what New Zealand based-buyers are interested in than international sellers.



All of our core businesses performed well in 2016. Our General Items marketplace returned to solid growth in the second half of the year.

Classified advertising is even more inherently local in nature. The cars, houses and jobs listed on the Trade Me classified sites are New Zealand cars, houses and jobs and the people looking to buy them are overwhelmingly New Zealanders. International competitors may in the future create a business model that is better at aggregating the most internet and mobile traffic in New Zealand and in gaining the most listings in jobs, homes and cars, but right now we can't see that happening.



Jon and his team have done an excellent job over the last three years to set Trade Me up for long-term success.

The final dividend of 9.0 cents per share will be payable to shareholders on our register as at 9 September 2016 and the dividend is expected to be paid on 20 September 2016. This follows an interim dividend of 7.8 cents per share paid to shareholders on 22 March 2016.

Jon Macdonald and his team have done an excellent job over the last three years to set Trade Me up for long-term success. The board thank them for all their hard work and congratulate them on the results we can all increasingly see.

This year we farewelled Gail Hambly from the board and welcomed Katrina Johnson. Gail had been a director of Trade Me since the company was floated in 2011 and during that time made a real difference to the board and the company. We thank her for all she has contributed. Katrina is the current Chief Legal Officer of Uber in Australia/New Zealand and before that worked at eBay in Australia and the USA.

Our annual shareholder meeting this year is in Wellington on 10 November. I look forward to seeing as many of you as are able to make it.

David Kirk

Chairman
Trade Me Group Limited



Commentary and thoughts from CEO Jon Macdonald

Dear Shareholders,

Thank you for investing in Trade Me.

The year ended 30 June 2016 has been one of good progress for Trade Me. 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 our General Items 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 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 Harmony, 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, net operating profit was \$83.0m, up 3.5 per cent on a year ago. The investment we've made over the past few years has begun to come to fruition. As our chairman, David Kirk, notes in his report, our 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 success fee, and a 'no success fee' tier for items that sell for \$1 or less.

We were also pleased to release our '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 and 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 deliver 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 increase 15 per cent year-on-year. In July 2016 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.

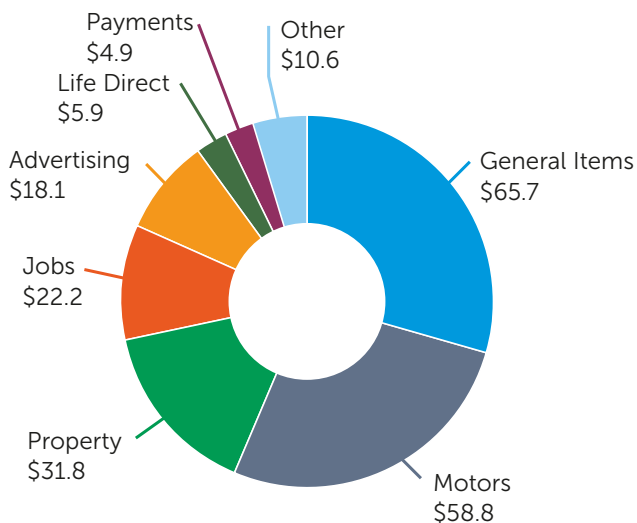
Trade Me Jobs also delivered an increase in revenue, up 14.6 per cent year-on-year, underpinned by listings growth and ongoing demand for premium products (up 35 per cent). We released a 'recommendation network' in March 2016, using our data to get the right jobs in front of the right job hunters, and 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 (in F15 this was up 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.

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. It remains a profitable business and provides a useful service to its customers, and we will continue to keep it running.

Full Year Revenue Composition (\$m)



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 – including reaching the very creditable milestone of \$300 million being lent in September 2016. 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 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 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 during 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 \$100 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. To our knowledge, we're the only New Zealand company that does this.

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 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. I'd like to thank Jonathan for his incredible contribution to Trade Me.

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.

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.



Jon Macdonald

CEO
Trade Me Group Limited



Stuart McLean
Head of Marketplace

Stuart joined Trade Me in February 2015 and is the head of Trade Me's General Items marketplace. Stuart also represents Trade Me as a director of Harmony. Prior to joining Trade Me, Stuart was the chief revenue officer at New Zealand based accounting software firm Xero.

Previously, Stuart was head of enterprise for Google Australia and New Zealand. He also held executive positions at Oracle and Chandler MacLeod, and founded and ran a distributor for the cloud business software solution NetSuite.

Stuart has a degree in computer studies & microsystems from Abertay University.



Fiona Ireland
Head of Human Resources

Fiona is responsible for reward and recognition, training and development, recruitment, career development and our office team.

Prior to joining Trade Me in 2010, Fiona worked as the HR manager at AMS (a joint venture by Vector and Siemens) as well as holding generalist roles at Vector for six years.



Nigel Jeffries
Head of Trade Me Property

Nigel joined Trade Me in April 2014. He was previously chief executive at CoreLogic NZ (formerly known as PropertyIQ).

He has more than 25 years' experience in the real estate, property and information technology markets in New Zealand and Australia, including executive roles at Quotable Value and RP Data.

He is also a director of ASX-listed BigAir Group, Australia's largest fixed wireless broadband company.



Jon Macdonald
Chief Executive Officer

Jon joined Trade Me in 2003 as head of technology, before being appointed general manager in 2007 and then CEO in 2008. Prior to joining Trade Me, he worked in London for HSBC Investment Bank in a variety of technical and management positions. He has also worked for Deloitte Consulting, with a focus on telecommunications and financial services.

Jon has a Bachelor of Engineering (Hons) from the University of Canterbury.

In May 2013, Jon joined NZX as a director.



Jimmy McGee
Head of Commercial

Jimmy joined Trade Me in 2006, where he was initially responsible for launching Trade Me Jobs, and then became Head of Commercial in 2009. In his current role, Jimmy is responsible for Motors, Jobs, Advertising, LifeDirect, Insurance and Payments.

Prior to joining Trade Me, Jimmy was a senior manager at eBay in Australia. He also worked for Monster.com in Australia and NZ.

Jimmy has degrees in physical education and commerce from the University of Otago.

Caroline Rawlinson
Chief Financial Officer

Caroline joined Trade Me in August 2016 and is responsible for setting Trade Me's financial strategy and managing the finance and analytics teams.

Caroline was previously CFO of Formica Asia (a subsidiary of Fletcher Building) in China, Fletcher Building's general manager of group strategy, and held strategy and corporate finance roles at Sealord and PwC.

Caroline has a Bachelor of Laws and Commerce from the University of Auckland.

Dave Wasley
General Manager – Platform & Operations

Dave joined Trade Me in 2007, where he has spanned numerous roles from Platform Manager, Head of Technology and now General Manager – Platform and Operations. Dave is responsible for Trade Me's underlying technology platform and operations, along with business operations covering Customer Support and Trust & Safety.

Prior to Trade Me Dave worked for Deloitte Consulting gaining experience in numerous industries including health and energy.

Dave has a Bachelor of economics & Information Systems (Hons) from Massey University.

Sarah Hard
Company Secretary

Sarah joined Trade Me in February 2013 and is responsible for ensuring the business fulfils its regulatory obligations and managing the relationship between the Company and the board. She also runs the legal & regulatory and communications & community teams.

Prior to joining Trade Me, Sarah worked as legal counsel for Fairfax Media in New Zealand. She had earlier roles as corporate counsel for NZTE and as company secretary for Independent Newspapers.

Sarah has a Bachelor of Laws from Victoria University.

Trent Mankelov
Chief Product Officer

Trent joined Trade Me in November 2014, and is responsible for product, design and user experience at Trade Me. He was a co-founder and director of Optimal Usability/Optimal Experience, New Zealand's leading user experience consultancy. Trent has also held senior roles at Spark Ventures and Vend.

Trent has a first class honours degree in computer science from Waikato University.



The Trade Me values

Who are we? We are Trade Me.

Our vision is to make life better for Kiwis through online experiences they love.

We're part of an exciting industry and we have great prospects. We're a fun place to work. But regardless of our past successes, we understand that our future depends on continuing to be relevant, useful and good value to our members.

We're also a commercial enterprise, and as such we need to provide a return to our owners. Our owners are retail investors (people who have bought shares) and institutional investors (funds of money from the public).

We make money through charging fees for our services and through advertising. We aim to set our fees responsibly, and at a sustainable level that provides great value to our customers. We aim to display our advertising in a responsible way too, minimising disruption to our users.

Our seven values

We've identified seven values that do a pretty good job of summing up what's important to us, and who we aim to be.

1

Deliver awesome online experiences

Our products and services are focused on empowering consumers. As well as delivering awesomeness, we also aim to build things that are well-designed, easy to use, reliable and genuinely add value to our community.

2

Be entrepreneurial

We are always innovating, and we like doing things fast. We value optimism, and we look for opportunities in change. We're not afraid to try things and fail, as we're more concerned with learning than dishing out blame.

3

Care about our community

We care about our members, our clients, our shareholders, and our staff. We are willing to empathise, listen, and engage in conversations (but not smother them). We are a good citizen, and committed to making meaningful contributions where we can. We like to help.

4

Be trusted & straight up

We rely on being a trusted place for people to visit online. We must remain authentic, honest, and always front up to explain our position in a non-robotic way. Inside the business, we trust our staff and we encourage them to share their thoughts early.

5

Decide & act on merit

We have a healthy disregard for hierarchy in our decision-making. We prefer to rely on data and good judgment; we measure everything. We value fearlessness and fairness in representing a point of view.

6

Hire & grow great people

We work hard to hire the right people. We value energy, optimism, flexibility, creativity, and a non-serious streak. We're informal but focussed, and much more interested in ideas and execution than the clothes people wear. We celebrate together when we do well.

7

Don't be a dick

This means what it says. It's all about treating people with respect, being responsible and keeping a sense of humour.

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David Kirk

Independent chairman
NON-EXECUTIVE

David is the co-founder and managing partner of Bailador Investment Management, chairman of Kathmandu and a director of Forsyth Barr Limited, Bailador investee companies SMI Limited, Online Ventures Pty Ltd (trading as SiteMinder) and Viocorp Pty Limited. He is also chairman of Trustees of Sydney Grammar School.

David was the CEO of Fairfax Media from 2005 to 2008. He was also the chief executive officer and managing director of PMP Limited from 2003 to 2005 and the regional president (Australasia) for Norske Skog from 2000 to 2003. David worked for Fletcher Challenge Paper and Fletcher Challenge Energy in senior executive roles in New Zealand and Australia from 1995 to 1999. He was chief policy advisor to the Prime Minister of New Zealand from 1992 to 1994 and was a management consultant with McKinsey & Company in London from 1989 to 1991.

David holds a Medical Doctorate from the University of Otago and a Master of Arts (Philosophy, Politics and Economics) from Oxford University. He is also a Rhodes Scholar.

He lives in Sydney, Australia.

Joanna Perry

Independent director
NON-EXECUTIVE

Joanna has extensive governance experience and is currently the deputy chair of Genesis Energy. Her independent directorships include Kiwi Property Group, Sport New Zealand, Partners Life and Rowing New Zealand.

She is chair of the IFRS Advisory Council, and until April this year chaired the Investment Advisory Panel of the Primary Growth Partnership.

Prior to focusing on her directorships, Joanna was a senior partner in the global audit, tax and advisory firm KPMG. She was a member of the Securities Commission, chaired the Financial Reporting Standards board and was a member of the Australian Accounting Standards board.

Joanna has a Master of Arts in Economics from Cambridge University and is a Fellow of the New Zealand Institute of Chartered Accountants.

She is a Member of the New Zealand Order of Merit for services to accounting.

Joanna lives in Auckland, New Zealand.

Paul McCarney

Independent director
NON-EXECUTIVE

Paul is a technology entrepreneur, investor and consultant.

He has many years' experience in technology and digital marketing including co-founding search marketing agency Decide Interactive (acquired by NASDAQ-listed 24/7 Real Media in 2004), and founding digital marketing company Life Event Media (acquired by directory business Sensis in 2011). He is a co-founder and the CEO of Data Republic in Australia. Paul is also a director of BTBI TCo, which owns and operates B2B publisher Cirrus Media.

He lives in Sydney, Australia.



Sam Morgan

Independent director
NON-EXECUTIVE

Sam was the founder and chief executive officer of Trade Me Limited until 2008. (Trade Me was acquired by Fairfax Media in 2006, and a substantial interest was held until Fairfax disposed of its Trade Me shares fully in 2012.)

Sam is a director of Vend Limited and vWork Limited (formerly Visfleet) and was a director of Xero until July 2016. He is an active software investor and co-founded Kiwi Landing Pad in San Francisco, which aims to help New Zealand companies succeed when expanding into the United States.

Sam is active in his charitable foundation, Jasmine Social Investments. This funds a portfolio of high-impact social ventures in developing countries, providing critical services in health, education and livelihoods to the profoundly poor.

Sam lives in Nelson, New Zealand.



Katrina Johnson

Independent director
Appointed 23 June 2016
NON-EXECUTIVE

Katrina has extensive experience in technology businesses, particularly in legal and regulatory matters for online marketplaces. She worked for 12 years in the United States and Australia for eBay and its subsidiaries, including three years as director of legal affairs and on the board of Gumtree.com Australia. Prior to working at eBay, Katrina was a lawyer in private practice, advising start-ups as well as large technology and media businesses.

Katrina was appointed the legal director of Uber (Australia and New Zealand) in 2015.

Katrina has a BA, LLB (Hons) from Macquarie University and a graduate diploma in Legal Practice from the College of Law, New South Wales.

She lives in Sydney, Australia.



Gail Hambly

Independent director
Resigned 22 June 2016
NON-EXECUTIVE

Gail is a senior media executive, currently group general counsel and company secretary of Fairfax Media. Her areas of expertise are law, corporate governance and internal audit and risk. She is part of the Fairfax management team.

Gail is chairman of Copyco Pty Limited, a Director of Company B Belvoir Limited, a member of the advisory board of the Centre of Media and Communications Law at Melbourne University, a member of the Media and Communications and Privacy Law committees of the Law Council of Australia and a director of the Story Factory – a not-for-profit organisation which provides education services with a special focus on disadvantaged children in Sydney.

Gail holds degrees in law, science and economics.

Gail lives in Sydney, Australia.

Corporate governance information

On Trade Me's investor relations website (investors.trademe.co.nz), you will find the following corporate governance documents referred to in this section:

- Constitution
- Trade Me Board Charter
- Audit and Risk Management committee Charter
- Human Resources and Compensation committee Charter
- Nominations committee Charter
- Independent Directors committee Charter
- External Audit Independence Policy
- Code of Conduct
- Diversity Policy
- Securities Trading Policy
- Market Disclosure Policy
- Risk Management Policy

Corporate Governance Statement

As directors of Trade Me Group Limited ("Trade Me" or the "Company") we work to protect and enhance the value of the Company's assets, in the interests of the Company and its shareholders.

We are responsible for:

- providing leadership and setting the strategic objectives for the Company;
- appointing the CEO and reviewing their performance;
- approving the appointment, and when necessary replacement, of other senior executives;
- overseeing management's implementation of the entity's strategic objectives and its performance generally;
- approving the annual operating budget and major capital expenditure;
- overseeing the integrity of accounting and corporate reporting systems, including the external audit;
- ensuring timely and balanced disclosure of all material information concerning the Company which a reasonable person would expect to have a material effect on the price or value of Trade Me shares;
- ensuring the Company has an appropriate risk management framework and setting the risk appetite within which the board expects management to operate;
- approving the Company's remuneration framework; and
- monitoring the effectiveness of the Company's governance practices.

Management is responsible for implementing the strategic objectives, operating within the risk appetite we have set as a board, and for all other aspects of the day-to-day running of the Company.

We delegate the day-to-day leadership and management of the Company to the CEO. The delegations are set out in the board Charter and in a Delegated Authority framework, which also sets out authority levels for types of commitments that the Company's management can make.

The corporate governance structure ensures the Company complies with applicable laws, as well as aligning with the NZX Corporate Governance Best Practice Code (NZX Code), and the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (3rd edition) (ASX Principles).

The Financial Markets Authority in New Zealand publishes the guidelines *Corporate Governance in New Zealand – Principles and Guidelines* (originally published by the Securities Commission) which sets out nine fundamental principles of good governance. We have set out information in this section of the Annual Report under each of those principles.

Principle 1

Ethical standards: Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

Code of Conduct

We have a Code of Conduct. The Code sets out the ethical and behavioural standards expected of directors of Trade Me, and of Trade Me staff. Directors and staff are also expected to uphold the Trade Me values (see page 28). The values sum up what's important to Trade Me and what the Company aims to be. Trade Me draws its values to the attention of applicants for roles, inducts staff on the values, references the values in its decision-making and keeps the values under review to ensure they are appropriately expressed and remain relevant.

Whistleblowing

Our Code of Conduct includes specific direction on action to be taken by a person who suspects a breach of the Code. We've provided for confidential and protected communications to a mailbox accessible only by the CEO and Head of Human Resources; or alternatively to a mailbox accessible only by the Chair of the Audit & Risk Management Committee.

Avoiding conflicts of interest

We are conscious of the need to ensure that we avoid conflicts of interest between our duties to Trade Me and our own interests. We update the board at each meeting on changes in our interests and any potential conflicts, and we review the interests register kept by the Company Secretary at least 6-monthly. The register records relevant transactions and our disclosures of interests. A copy of the directors' interests register is found on pages 50-51.

Trading in securities

We're restricted as directors from trading in Trade Me shares under New Zealand law and by Trade Me's Securities Trading Policy. The policy is in place to ensure people don't trade in securities when they may hold undisclosed, price-sensitive information, and it applies to both directors and designated senior employees. The policy details "blackout periods" where trading is forbidden, as well as a process for authorisation at other times.

We believe in the alignment in our interests and those of shareholders in the Company. The board's Charter sets out that each director should hold Trade Me shares to a value of at least \$100,000. Directors may take up to three years after appointment to acquire that holding in open trading periods under the Securities Trading Policy.

Our current shareholdings are set out on page 52.

Principle 2

Board composition and performance: To ensure an effective board there should be a balance of independence, skills, knowledge, experience and perspectives.

Board composition

The structure of our board and its governance arrangements are set out in the Company's Constitution and the board Charter.

Trade Me can have between three and ten directors on the board, and there are five directors at present, now all independent. There are no executive directors.

The directors are:

David Kirk (chairman), Katrina Johnson, Paul McCarney, Sam Morgan and Joanna Perry. Gail Hambly left the board in June this year, after nearly 5 years of excellent service as a director. We asked Katrina Johnson to join the board to fill the vacancy left by Gail's resignation, and Katrina will be standing for election at the Annual Meeting in November 2016.

Profiles of all the directors can be found on pages 32-33.

Apart from Katrina Johnson and Paul McCarney, the directors were appointed at the time of the Company's IPO in December 2011. Paul McCarney was appointed in November 2012. Each director has signed a written agreement with the Company.

The board is careful to make appropriate pre-appointment checks on the background and suitability of all directors. We're conscious of the need for diversity of thought and this year engaged external consultants to help with our director search, to identify a broad range of candidates and to bring to our attention candidates who might otherwise not be known to us.

We formally consider the board's composition each year at our annual performance review, and in 2016 the mix of skills and experience of directors was considered intently again as we searched for a director to fill the vacancy left by Gail Hambly's resignation. The Board had considered preparing a board skills matrix in F16, but given the discussions around the pending change of directors and the small number of directors on our

board, a formal matrix was not a priority. We believe our skills and experience to be complementary, appropriate for the Company, balanced and reasonably diverse. Our directors have expertise and experience in strategy development and implementation, executive leadership, acquisitions and divestment, venture capital, technology, data, corporate responsibility, governance, legal and regulatory matters, public policy, and finance (including the assessment of financial controls).

When directors are appointed to the Trade Me board, they enter into an agreement which specifies that their standard term is up to six years, after which they must offer to resign. It's our view that refreshing the board regularly is a good thing for the Company; it adds to the diversity of thinking and ensures we are open to new ideas. That should be balanced with the need to retain the knowledge and experience that comes with a term of directorship. For that reason, the agreement with directors provides for there to be, at the discretion of the board, an additional term of up to three years offered after the directors' initial term. That's subject of course to the requirements of the Listing Rules for one third of directors to retire by rotation and be re-elected, each year.

While we have a Nominations committee to identify and recommend prospective board members, in F16 we considered all matters concerning prospective directors as a full board.

Director independence

The board Charter requires that at least two directors be independent. A director will not be regarded as independent if:

- They are a substantial product holder (as defined in the Financial Markets Conduct Act 2013) of the Company or an officer of, or otherwise associated directly with, a substantial product holder;
- Within the last three years they have been employed in an executive capacity by the Company or another group member, or been a director of another group Company after ceasing to hold any such employment;
- Within the last three years they have been a principal of a material professional advisor or a material consultant to the Company or another group member or an employee materially associated with the service provided;
- They are a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- They have a material contractual relationship with the Company or another group member other than as a director of the Company;
- They are not free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Trade Me.

Director independence is assessed by the board.

Gail Hambly (who left the board in June 2016) and Sam Morgan became independent under the definition above in December 2015,

when 3 years had passed since Fairfax Media and Trade Me were in the same group of companies. (Gail is an executive of Fairfax, and Sam had been a director of that Company).

We consider that all Trade Me's directors are now independent.

Board performance

The board Charter provides for regular performance reviews of the board and its committees.

We reviewed our compliance against the board Charter in July 2015, and we met all the requirements. We also reviewed and amended the charter itself in April 2016 to ensure we had clearly set out the extent of our responsibility for Health and Safety matters at Trade Me.

We review annually how the board is performing. As well as individual interviews between directors and the chairman, all directors and the executive team complete an evaluation questionnaire relating to board and committee composition and performance. Responses are anonymised, reported back and discussed at a board meeting. We have found this an effective way to identify issues, and the process has resulted in a number of changes to the way the board operates – for example, a change to the strategy-setting process and the way we revisit strategy during the year. We have considered in the past whether an external facilitator should assist with a performance review, but so far we are satisfied that the board is operating well and the performance process we've used is effective and suitable.

Principle 3

Board committees: The board should use committees where this will enhance its effectiveness in key areas while still retaining board responsibility.

Our board committees review and consider in detail the policies and strategies developed by management. They examine proposals and make recommendations to the board. They don't take action or make decisions on behalf of the board unless specifically mandated to do so. A committee or an individual director can engage independent legal counsel at Trade Me's expense with the prior approval of the chairman.

During the F16 year Trade Me's standing board committees, and their members were:

- **Audit & Risk Management committee:** Joanna Perry (chair), David Kirk, Gail Hambly (to 22 June 2016). Katrina Johnson joined this committee with effect from 11 August 2016.
- **Human Resources & Compensation committee:** David Kirk (chair), Paul McCarney, Sam Morgan, Joanna Perry
- **Nominations committee:** Joanna Perry (chair), David Kirk, Paul McCarney, Gail Hambly (to 22 June 2016). This committee was not active.
- **Independent Directors committee:** David Kirk (chair), Joanna Perry. This committee has not been required to meet since December 2012, when Fairfax Media sold its holding in Trade Me, and all directors are now considered independent.

The roles and responsibilities of the standing committees are set out in their respective Charters. We do also occasionally appoint a committee of directors to consider or approve a specific proposal or action, if the timing of meetings or availability of directors means the matter cannot be considered by the full board. Their deliberations and decisions are reported back to the board not later than the next meeting following.

Board and committee meetings

Between 1 July 2015 and 30 June 2016 we held ten board meetings (8 in person and 2 by audio conference), a separate strategy meeting, seven Audit & Risk Management committee meetings, and two Human Resources & Compensation committee meetings.

The Nominations committee did not meet as the full board considered director appointments and board succession planning.

All meetings were attended by all the directors or committee members as appropriate, other than these meetings, which the director named was unable to attend:

July 2015 – Paul McCarney

February 2016 (teleconference) – Sam Morgan

June 2016 – Joanna Perry

Principle 4

Reporting and disclosure: The board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

Financial reporting

The board is responsible for ensuring the integrity of the Company's reporting to shareholders, including for financial statements that comply with generally accepted accounting practice.

The board's Audit & Risk Management committee oversees the quality, reliability and accuracy of the financial statements and related documents. (The Audit & Risk Management committee's role is described fully in the committee Charter). In doing so the committee make enquiries of management and auditors (including requiring management representations) so that we can be satisfied as to the validity and accuracy of all aspects of Trade Me's financial reporting.

The CEO and CFO certify to the board in relation to Trade Me's financial statements, including (as required by ASX) certifying that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the Company's risk management and internal control systems, to the extent they relate to financial reporting, are operating effectively in all material respects.

Trade Me has worked hard to improve the clarity and readability of its financial statements over the past two years, while continuing to maintain all the requirements of the financial reporting standards. We also agreed with our external auditors that from and including F16, the auditors would report against the revised version of International Standard on Auditing (New Zealand) 700 which (amongst other changes) requires the auditors to explain in the audit report the key risks they identified and how they have responded to them. That standard was not applicable to Trade Me for a further year and our early adoption was voluntary.

Disclosure to the market

The Market Disclosure Policy sets out requirements for our full and timely disclosure to the market of material issues, so all stakeholders have equal access to information.

The board reviews and approves material announcements. We have not needed to make an urgent announcement in F16, but a Disclosure committee is in place if required to manage urgent releases (CEO, CFO, and the Company Secretary). The Company Secretary is responsible for ensuring timely release of information to NZX and ASX and is the main liaison person for communications with the NZX and ASX.

We also specifically consider with management at each board meeting whether there are any issues which might require disclosure to the market under the NZX and ASX continuous disclosure requirements.

Information for investors

Trade Me's investor relations website (investors.trademe.co.nz) includes the Company's presentations, reports, announcements, and media releases, as well as the Charters and guidelines referred to in this section. The Annual Report is available in electronic and hard copy format.

Trade Me's annual meeting will be held on Thursday 10 November 2016 in Wellington. We welcome shareholders' questions and comment on relevant matters. The external auditors, EY, will be there and will be available to answer questions about the audit and the audit report. A Notice of Meeting will be sent to shareholders in October.

Principle 5

Remuneration: The remuneration of directors and executives should be transparent, fair and reasonable.

Directors' remuneration

The total remuneration pool for Trade Me's directors was set at \$800,000 per annum at the Annual Meeting in October 2013.

For the financial year the annual fees paid to directors were:

- Chairman \$205,000 (including all committee responsibilities)
- Directors \$90,000
- Chair of the Audit & Risk Management committee \$25,000
- Chair of the Human Resources & Compensation committee \$15,000
- Members of a committee (except chair) \$10,000

Directors on multiple committees (except the Nominations committee and Independent Directors committee) receive fees for membership of each committee.

Our directors' fees for F16 are set out on page 49. No retirement fees were paid.

We have recently reviewed the fees for the first time in three years. In doing so we considered a number of factors including summarised results from the 2015 Institute of Directors' fees survey.

With effect from 1 July 2016 fees increased:

- Chairman \$215,000 (including all Committee responsibilities)
- Directors \$ 95,000

Our other fees (Chair and Committee fees above) remained unchanged. There is headroom in the approved pool of fees for an additional director to be appointed and to serve on Committees, if the board or shareholders make an additional appointment.

Remuneration of employees

As a New Zealand Company, Trade Me is not required to prepare a detailed remuneration report. Those requirements only apply to companies incorporated in Australia.

Trade Me aims to have a remuneration framework and policies to attract and retain talented and motivated people. The Company wants to:

- Be recognised as a great place to work, and attract, retain and motivate high-performing individuals.
- Align employee incentives with the achievement of good business performance and shareholder return.
- Recognise and reward individual success, while encouraging teamwork and a high-performance culture.
- Be competitive in the labour market.
- Be fair, consistent and easy to understand.
- Be true to one of Trade Me's core values: hiring and growing great people.

Trade Me employee remuneration

We use market data to determine competitive salary and total remuneration levels for all staff. We make allowances for individual performance, scarcity of skills, internal relativities and specific business needs. Trade Me is operating in a growth industry, and we have a skilled and mobile workforce. Because we achieve scale through technology, the difference a high-performing employee can make is amplified, and we want to ensure these people are identified so we can retain them.

The HR team uses benchmark reports and regularly updated market data to ensure the market relativity is maintained on recruitment and at reviews. We also think the overall opportunity and work environment at Trade Me has a lot to offer, which means we can be competitive in the labour market.

Executive remuneration

The board's Human Resources & Compensation Committee makes recommendations to the board on remuneration arrangements for the executive team – the people who report directly to the CEO. As directors we approve executive remuneration, the total of short-term incentive payments across the Company, and the overall remuneration budget for the Company.

Employee performance reviews are undertaken annually at present, in a comprehensive process involving feedback from direct reports, peers and others. The Company expects to move into a quarterly pattern in F17.

The CEO reviews each executive's performance – most recently in July 2016 – against specific objectives set the previous year, and that review is the basis for short-term incentive payments.

Short-term incentive (STI) plan

STI payments across the whole company, not just at executive level, have a component linked to the EBITDA performance of the Company.

Terms vary depending on the seniority and role of employees. In general:

	At risk % of fixed annual remuneration, at target	Percentage of at risk (STI) attributable to company's EBITDA performance	Percentage of at risk (STI) attributable to individual or team performance
Team member	5%	25.0% of STI	75.0% of STI
Senior management	10%	33.3% of STI	66.7% of STI
Executive team	15%	66.7% of STI	33.3% of STI

Long-term incentive (LTI) scheme

We established a Long-Term Incentive Scheme for Trade Me executives and senior management at 1 October 2012. The Scheme is an incentive and reward scheme for participating employees with the benefits directly linked to the Company's performance.

There is a Scheme Deed and Scheme Rules, which provide for the board to make offers of shares to selected senior employees and to establish Company performance-based hurdles for the vesting of the shares. A wholly-owned subsidiary (TMG Trustee Limited) was incorporated as trustee to administer the Scheme.

Shares have been issued annually since October 2012. They are issued to TMG Trustee at the volume weighted average market price for Trade Me shares on NZX, over the 20 trading days prior to the issue date. The trustee holds the shares for each beneficial holder, until the performance hurdles are tested.

Trade Me lends each participating employee the issue price of the shares. TMG Trustee uses that loan to acquire the shares on behalf of each relevant employee.

The Company has to achieve set performance hurdles before the shares become unrestricted ordinary shares and can be transferred by TMG Trustee to the relevant beneficial holders. Trade Me's performance is measured at the end of identified intervals from the date of issue of the shares – usually three years from issue date. The performance hurdles are separate measures of the Company's total return to shareholders and its earnings per share.

For the time that the shares are still restricted and held by the trustee, they rank equally for dividends (which are paid to the beneficial holders) and have the same voting rights as ordinary shares in the Company.

If the performance hurdles are met on the testing dates the Company pays a bonus, which (after tax) is equal to the loan attributable to those shares. The loan is then repaid and the shares transferred by TMG Trustee to the relevant employees as unrestricted ordinary shares.

If the performance hurdles are not met (or are only partially met) the balance of the shares become "Forfeited Shares", will be purchased by TMG Trustee, the loan repaid and the shares cancelled. If the beneficial holders leave Trade Me employment before the shares become unrestricted, the shares are bought back and cancelled (we give notice to all shareholders when that happens, as required under the Companies Act 1993 (NZ)).

The performance hurdles for the first round of shares issued in October 2012 (LTI 1) were tested at 30 September 2015. The Company's performance was not sufficient to meet the hurdles, and the shares in that round were cancelled.

The LTI shares (all of which are still restricted) at 30 June 2016 were:

Round	Issue date	Hurdle date	Number of shares	Number of holders
LTI 2	1 October 2013	30 September 2016	208,591	25
LTI 3	1 October 2014	30 September 2017	396,442	46
LTI 4	19 November 2015	30 September 2018	418,864	51

CEO remuneration

Jon Macdonald's employment agreement for his role as CEO commenced on 26 February 2008.

His agreement reflects standard conditions that are appropriate for the chief executive of a listed company. Jon's remuneration is a combination of base salary, KiwiSaver and incentive arrangements for short-term and long-term performance.

His base salary for the year to 30 June 2016 was \$669,500. The STI component paid in August 2016 for the F16 year was \$246,000.

Jon had 229,068 restricted shares in the LTI Scheme at 30 June 2016. He is currently allocated LTI shares to the value of 45% of his base salary annually.

The Human Resources & Compensation committee considers the CEO's remuneration annually, at the same time as his performance is reviewed, and makes a recommendation to the full board. The committee refers to available remuneration information for a range of comparable companies (generally in New Zealand, though with some Australian information where relevant), published salary surveys and commentary from remuneration specialists to assist it in setting Jon's total remuneration.

Performance

We evaluate Jon's performance in July each year, which includes seeking feedback from the Executive team. To determine the STI payment due to the CEO we look at the Company's financial performance against budget, as well as a number of specific strategic, non-financial performance targets set at the beginning of the financial year.

Principle 6

Risk management: Directors should have a sound understanding of the key risks faced by the business. The board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

Risk management

The purpose of risk management for Trade Me is to identify and manage both existing and new risks in a planned and coordinated manner, with the minimum of disruption and cost, and to develop a "risk aware" culture that encourages all staff to identify risks and associated opportunities and respond to them effectively.

Trade Me has a risk management framework in place to identify, oversee, manage and control risk. That framework includes a risk management policy (available on the Company's investor relations website) and an implementation structure.

The implementation requires a Comprehensive Risk Register to be completed by the senior management team 6-monthly. It identifies all known risks—those which are seen as a risk to the Company's strategy and business priorities, or which are counter to its code of conduct. The Comprehensive Risk Register records risks by impact, probability, and trending, and records the controls for those risks. Risk mitigation must be included in project plans for high-risk projects from inception, and those mitigation plans need to be signed off by specified executive team members.

In addition to the Comprehensive Risk Register a Key Risk Register is maintained, which we review and discuss at least 6-monthly as a specific matter at a board meeting.

Those Key Risks are the ones we and management have identified as Trade Me's greatest strategic and operational risks. They may be long term or short term, and may include risks around specific current projects. We also now consider health and safety risks, as a full board, as part of the Key Risk review. The Key Risks are plotted on a matrix of impact and probability.

The Executive team reviews the Key Risks in setting the Company's strategy and budgets, with all new business cases and investments, on certain types of project, in relation to the Company's insurances, and at regular 6-monthly intervals. The Executive team's update of the Key Risk Register is provided to the board as soon as practicable following its 6-monthly review. As well as that discussion, we have been provided with specific and detailed presentations from management including incident reporting in particular Key Risk areas, on a regular basis.

We recognise that there is a degree of subjectivity in risk assessment, but a Key Risk which is assessed as high in both impact and probability will generally not be considered acceptable unless directors are satisfied that the risk is trending downward and/or there are immediate plans to improve controls further.

The risk management framework was put in place in 2013 and was reviewed in December 2015 and again in April 2016 – the latter to ensure in particular that we had determined how health and safety matters would be reported to and discussed by the board.

Trade Me doesn't have an internal audit function. Management reports at least annually to the Audit & Risk Management committee on improvements and changes to internal controls in relation to the finance function. Through the review steps we have outlined above we ensure the Company is evaluating risk and continually improving the effectiveness of its risk management.

Economic, environmental and social sustainability risks

Trade Me's assessments of its economic, environmental and social sustainability risks are woven into the Comprehensive and Key Risk assessments covered earlier in this report.

Economic sustainability

Brand and reputation

The Company relies on strong and ongoing consumer confidence in the internet as an efficient, simple, safe and trusted channel. Trade Me's reputation and recognisable brand are valuable components of its business, and underpin users' trust in its websites. Adverse events including issues with fraudulent or other illegal activity on or in connection with its websites, privacy breaches, sustained or repeated site outages, a failure to effectively address customer disputes or a loss of customer data could damage the Company's reputation.

To defend against that risk, the Company takes appropriate steps to protect against fraudulent activity, security breaches and outages and communicates clearly, effectively and honestly with its members.

Disruption of information systems and security

Trade Me is dependent on its information technology systems, servers, networks, hardware and software. These systems may be vulnerable to unauthorised access, viruses, human error, natural disasters, communications failure, sabotage or terrorism. Security measures, disaster recovery, systems redundancy, and backup procedures are in place to defend against those risks.

Threat of disruptive models, technology changes and competition

Emerging technologies may create additional competition in the future. Online and mobile technology continues to advance rapidly and this may affect the Company's ability to retain its existing community of members, maintain and increase its existing level of listings/sales, or implement its growth strategies. The effects of future technological change cannot be predicted.

Trade Me competes against a broad range of industry participants including domestic and international companies, online retailers, and niche market operators. The costs of market entry for many online businesses are relatively low and competition may intensify in the future.

The Company has taken strategic action to enhance its products, to build on its strong brand and reputation, and to build and invest in a portfolio of businesses to manage those risks.

Environmental sustainability

The fundamental premise of the Trade Me used goods marketplace is the reuse and recycling of goods by members – one person selling unwanted goods to another.

The business has a relatively low environmental impact, dominated by energy consumption in offices, and emissions from air travel. As employee numbers have grown, more travel has been required between New Zealand and the markets where suppliers are based, between the Company's offices in Wellington, Christchurch and Auckland, and locally to visit key customers.

The Company provides full data annually to EY to prepare a Greenhouse Gases (GHG) Emissions Profile on the basis of travel and other energy consumption. We have bought carbon credits to fully offset carbon emissions each year.

The most recent advisory report by EY was completed for the year ending 31 December 2015.

In the course of its work EY identified some issues in relation to Trade Me's data capture and the compilation of the 2013 and 2014 inventories. As a result, the GHG inventory for these years has been amended. The amendments include:

- Overstatement of estimated electricity consumption at two of our external server sites.
- Overstatement of electricity consumption at our Auckland Parnell office.
- Understatement of scope three emissions relating to international air travel.

As a result our 2013 inventory has decreased by 143 tCO₂-e or 24 per cent. The 2014 inventory decreased by 108 tCO₂-e or 14 per cent, on the inventory previously reported.

Summary of 2015 emissions inventory results

Our GHG emissions for the 2015 reporting year were 670 tCO₂-e, an increase of 31 tCO₂-e (or 4.8%) against the restated 2014 GHG inventory.

This increase is largely attributed to an overall 13 per cent increase in scope two emissions from electricity consumption at our offices, and domestic air travel. We have expanded our offices in the last year particularly in Auckland to accommodate additional employees, so an increase was expected. We are keen to work on power-saving initiatives as well as some other smaller projects around recycling of food waste in the next year.

It recorded the following GHG Emissions:

Scope	GHG emission Sources	2014 (restated)		2015	
		Tonnes CO ₂ -e	Percent of Total Emissions Reported	Tonnes CO ₂ -e	Percent of Total Emissions Reported
Scope 1	Trade Me vehicles	6	0.9%	6	0.3%
Scope 2	Electricity	272	42.5%	306	45.7%
Scope 3	Taxi, car hire, air travel, landfill waste	361	56.5%	362	54.0%
Total		639	100%	670	100%

Social sustainability

Trade Me's values (referred to under Principle 1) articulate a culture of ethical corporate conduct.

The Company has long been active in promoting the interests of consumers, and contributes to legislative reviews that may impact trading online. A few recent examples of this in action include playing a key part in the creation of a 'safe harbour' regime under the Harmful Digital Communications Act, our appearance at the Law & Order Select Committee to advocate for improved protections around online firearm trading, submissions on tax bills where relevant to online trading and on bills that implement foreign trade deals such as the Trans-Pacific Partnership (TPP). We're also involved in the review of privacy laws which is being undertaken by the Ministry of Justice.

The Company conducts a government relations briefing each year, attended by representatives of a range of ministries and agencies including the Office of the Privacy Commissioner, Police, Customs, Human Rights Commission and Energy Safety. A number of government agencies consult with Trade Me from time-to-time to identify the best means to ensure that legislation, regulation and guidance is practical and effective in a digital environment.

Trade Me actively engages in issues of principle for consumers and provides guidance to members on a huge range of products for legal and safety reasons. It may not be a straightforward exercise to make a call on some types of listings – like the resale of tickets to sporting events not covered by legislation, but we keep those issues under review. We have recently placed new restrictions on the sale of written off vehicle imports and we're advocating for additional protections for vehicle buyers.

For employees, Trade Me endeavours to provide a work environment which is healthy, safe, and fun. Trade Me employees complete an annual IBM Kenexa workplace engagement survey (with rates of participation over 90%) and the results are reported across the business and to the Board. Teams develop specific action plans to address issues identified in each Kenexa survey, updated quarterly. The Company is proud to have been a finalist for the best employer in our category for the last six years consecutively. This year was the first year we were in the best 'large' employer for companies of 400–749 employees. Trade Me is also one of only eleven companies recognised in the Kenexa 'Five-Year League' for companies that have been finalists for five of the last six years.

Customers and members have multiple means of communication with the Company – through the Customer Support team by email or phone, on the Company's message boards on the site, social media pages, and in person at shareholder meetings.

Broad community engagement through sponsorship, philanthropy and staff participation in a wide range of charitable events is a key part of the Company's philosophy – this is covered more in the Community section on page 44.

This range of activity ensures the Company takes into account stakeholder concerns, so it can continue to meet accepted social norms and needs over the long term.

Principle 7

Auditors: The board should ensure the quality and independence of the external audit process.

We have adopted an Audit Independence Policy that requires the external auditor to be independent and to be seen as independent. The policy sets out our key commitments and the procedures the Audit & Risk Management committee and management must maintain a framework for audit independence. We are satisfied that there is no relationship between the auditor and Trade Me or any related person at this time, that could compromise the auditor's independence. We also obtain that confirmation formally from the auditor.

We ensure the auditor is remunerated fairly for the agreed scope of the statutory audit and audit-related services.

To ensure full and frank dialogue amongst the Audit & Risk Management committee and the auditors, the auditor's senior representatives meet separately with the Audit & Risk Management committee (without management present) at least twice a year, including immediately before finalisation and release of our half-year and full-year financial results to the market.

Non-audit work

The Audit Independence Policy sets out restrictions on non-audit work that can be performed by the auditor. In F16 there was one occasion – the calculation of the company's carbon emissions, which is a voluntary matter to allow us to acquire offsetting carbon credits – where the audit firm did specific non-audit work, with approval from the Audit & Risk Management committee. The cost of that work when billed is expected to be approximately \$8,000. We do not believe there was any compromise whatsoever to the independence and objectivity of the audit process. The work was conducted by EY's specialist in Auckland without any communication with the audit team.

Our policy requires the rotation of the senior audit partner and review partner at least every five years. The senior audit partner changed at the completion of the 2015 audit after having completed five years in that role.

Principle 8

Shareholder relations: The board should foster constructive relationships with shareholders that encourage them to engage with the entity.

Trade Me keeps shareholders informed through periodic reporting to NZX and ASX, and through its continuous disclosure. We provide briefings and presentations to media and analysts (which are made immediately available on the investor relations website), and communicate with shareholders through our annual and half-year reports and shareholder meetings, as well as through a range of releases to media on Trade Me matters which we believe will interest shareholders and our members.

We encourage shareholders to refer to the investor relations website, and to receive annual and half-year reports electronically but hard copies of the reports can readily be obtained from Trade Me's share registrar, Link Market Services Limited. We take care to write all shareholder communications in a clear and straightforward way and to limit use of jargon.

Principle 9

Stakeholder interests: The board should respect the interest of stakeholders taking into account the entity's ownership type and its fundamental purpose.

The aim of the Trade Me business is to make life better for Kiwis, through online experiences they love. We put the consumer at the heart of all transactions in our online marketplaces. The Trade Me platform is designed to meet the needs of users in a way that is trusted, effective and good value, and we are continually working to improve the experience.

As well as the interactions with government outlined in the "Social sustainability" section above, Trade Me plays an important role in identifying the potential for illegal activity and works with government and industry bodies to ensure the public is both protected and educated about online business.

Trade Me receives a number of requests for information from a range of government agencies, many of which relate to law enforcement. It works hard to ensure that information is released only in a way which does not identify individuals, or where identification is required, exceptions to the Privacy Principles apply. For the last four years, Trade Me has published Transparency Reports detailing the requests it has received.

The Company balances its economic and social responsibilities to the fullest possible extent.

Community

Trade Me's commitment to sponsorship and philanthropy is preserved within our values ("Care about our community") and is part of being a good Kiwi company. We think it is important for Trade Me members to be part of a community with a generous spirit and that the wider public feels good about doing business with a company that helps out with worthy causes. Trade Me supports organisations or events that are family-orientated and familiar to Kiwis, and aligned with its vision and values.

A key strength when we work with charities and other organisations is our ability to leverage our platform to help those enterprises reach a wide audience. Trade Me offers a perfect opportunity to give charitable listings exposure.

On the charities and good causes front, we field up to 40 queries a week from around the country, and since 2011 we've had a full-time charities co-ordinator. For larger organisations and campaigns, our support may extend to publicity, pro bono advertising and social media promotion. For smaller campaigns, an acknowledgement that the organisation is doing something worthwhile by refunding their auction success fees is always appreciated.

In F16, more than \$123,000 in success fees was returned to charities around the country, and almost 64 million ad impressions were provided to deserving organisations pro bono. Trade Me Jobs also provided charities with a 33 per cent discount on 2395 job listings.

Trade Me has had a formal relationship with Plunket since 2005. Plunket is a charitable organisation that relies on donations to provide support services to parents and families. Actual feathered kiwis are an obvious alignment for us and Trade Me also works closely with Kiwis for kiwi, a national charity raising funds and awareness to support kiwi conservation projects.

When placing a listing on Trade Me, sellers can choose to round up their success fee to the nearest dollar and donate the difference to either Plunket or Kiwis for kiwi – this tool raised more than \$50,000 for these two charities in F16.

In June 2016, Trade Me announced a new relationship with One Percent Collective. This organisation takes the hassle out of regular charitable giving by asking Kiwis to donate up to one per cent of their income for distribution amongst their six partner charities. Donors can select to choose the amount and frequency of their donations to any or all of these charities. Our support is a business partnership which helps One Percent Collective to get its message out and grow its base of supporters.

We have partnered with the Starship Foundation for the Starship Spring Clean initiative for the last six years. This platform allows sellers to pledge funds to Starship from the sale of their items – and get their success fees refunded.

Trade Me also supports The Special Children's Christmas Party (with a donation and volunteers) and a multitude of other one-off events and causes.

In terms of sponsorship, we are biased towards things where the overall equation is better than just writing a cheque. In F16 we supported a wide range of events and initiatives including Wellington Zoo, Code Camp, DevMob, Product Tank, Gather 2016, Codemania, Workchoice Day, WDCNZ (a conference for web developers), Webstock, NetHui, NodeBots and Summer of Tech.

Trade Me also provides free, public Wi-Fi in Wellington (waterfront) and Christchurch (Re:Start Mall).

We treat all these community matters as sponsorships rather than recording them as donations.

Diversity

The Company fosters an inclusive working environment that promotes employment equity and workforce diversity at all levels, including the executive team and board.

Diversity guidelines were developed during F12 and are available on the investor relations website. Each year the board approves measurable objectives for promoting diversity at Trade Me based on recommendations from the executive team; reports on progress in the Annual Report, and assesses its guidelines.

In August 2015 the board considered and approved the following gender diversity objectives for the F16 year (which were the same as for the F15 and preceding year):

- 33% of the board should be female
- 33% of the executive team and senior management team should be female
- 50% of all employees should be female

The gender breakdown at Trade Me as at 30 June 2016 was as follows:

	F15 Women	F15 Men	F15 Total	F15 %	F16 Women	F16 Men	F16 Total	F16 %
Board	2	3	5	40%	2	3	5	40%
Executive ("officers")	2	8	9	22%	2	7	9	22%
Senior management	13	29	42	31%	13	26	39	33%
Exec and SMT together	15	36	51	29%	15	33	48	31%
All employees	165	270	436	38%	184	319	503	37%

The senior management team is defined as direct reports to the executive team. We have in the past reported executive and senior management numbers together in line with our diversity guidelines, but this year have separated the two groups to align with NZX's reporting requirements.

We have increased the emphasis on gender diversity initiatives at Trade Me in the last year.

In F15 Trade Me established a Diversity project group to explore initiatives to improve the gender balance in the Company, as an initial focus. Out of that project has come a pilot on "blind recruiting" where gender indicators are completely removed from CVs sent to hiring managers; the trial of an initial screening tool for Customer Support roles that tests applicants online before their CVs are viewed, and the use of a tool to review our own recruitment advertising for use of language that may inadvertently discourage applications from women.

The Company has held staff sessions and provided information on inclusive behaviours, rolled out unconscious bias training, begun to examine pay parity, and has interviewed a number of employees and ex-employees about how parental leave arrangements affected their return to work.

Just after the end of the financial year Trade Me made guidance available to staff on flexible working arrangements, which we expect to result in more employees adjusting days or hours or their place of work, or making agreed leave changes.

Trade Me management and the board are proud of the progress made this year in gender diversity initiatives, and are committed to continuing them.

Once again, we've had significant growth in employee numbers in the year, with a focus on tech hires. There are noticeably greater numbers of women leaving tertiary study with technology qualifications, but still the majority of candidates for technology roles are men.

We've looked again at the gender breakdown in hiring in different types of roles. As we saw last year, where we appointed staff to new roles through an internal placement, there was a relatively higher hiring rate for women, than when we went externally to fill a role. This year that trend was not confined to technology roles. It may indicate that once on board, women at Trade Me are taking the opportunity to move and progress in the business.

The discrepancy in technology roles could simply be the product of the greater number of men with technology qualifications and experience applying for work. If however it was partly attributable to our manner of recruiting, we hope the work we're doing to make our advertising free of unconscious bias, and to evaluate CVs and competencies without visibility as to the gender of the candidate, will assist us in reaching the gender targets we've specified.

Type of Placement – July 2015–June 2016	Women		Men		Total
Total placements	70	35.53%	127	64.47%	197
Total internal placements	21	38.89%	33	61.11%	54
Tech hires	33	27.73%	86	72.27%	119
Tech hires (internal)	10	32.26%	21	67.74%	31
Non tech hires	37	47.44%	41	52.56%	78
Non tech hires (internal)	11	47.83%	12	52.17%	23
CS hires	10	55.56%	8	44.44%	18
CS hires (internal)	2	40.00%	3	60.00%	5
Non tech/non CS hires	27	45.00%	33	55.00%	60
Non tech/non CS hires (internal)	9	50.00%	9	50.00%	18

Compliance with NZX Code and ASX Principles

The board has determined that the Company complies with the NZX Code and the ASX principles, except that a formal board skills matrix has not been completed (although the mix of skills has been discussed).

Disclosures

Shareholder information

Twenty largest shareholders as at 19 August 2016

Rank	Investor Name	Total shares	% Issued Capital
1	New Zealand Central Securities Depository Limited	116,185,324	29.26
2	J P Morgan Nominees Australia Limited	73,404,489	18.49
3	HSBC Custody Nominees (Australia) Limited	43,009,871	10.83
4	National Nominees Limited	31,487,988	7.93
5	RBC Investor Services Australia Nominees Pty Limited	24,638,772	6.20
6	Citicorp Nominees Pty Limited	17,675,134	4.45
7	Bnp Paribas Noms Pty Ltd	8,256,998	2.08
8	Citicorp Nominees Pty Limited	7,216,335	1.82
9	Bnp Paribas Nominees Pty Ltd	6,478,723	1.63
10	UBS Nominees Pty Ltd	6,327,930	1.59
11	Custodial Services Limited	2,537,209	0.64
12	New Zealand Depository Nominee Limited	2,091,695	0.53
13	Investment Custodial Services Limited	1,886,394	0.48
14	The Trust Company Superannuation Limited	1,273,929	0.32
15	TMG Trustee Limited	1,023,897	0.26
16	RBC Investor Services Australia Nominees Pty Limited	949,000	0.24
17	Powerwrap Limited	942,129	0.24
18	NZPT Custodians (Grosvenor) Limited	939,815	0.24
19	HSBC Custody Nominees (Australia) Limited	930,122	0.23
20	Bnp Paribas Nominees Pty Ltd	880,000	0.22

Distribution of ordinary shares and registered shareholders as at 19 August 2016

Shareholder range	Number of holders	Number of shares	Issued capital (%)
1–1,000	3,145	1,866,531	0.47
1,001–5,000	4,772	12,336,552	3.11
5,001–10,000	1,094	8,119,247	2.04
10,001–50,000	590	10,945,799	2.76
50,001–100,000	50	3,463,503	0.87
100,001 and over	52	360,361,191	90.75
Total	9,703	397,092,823	100

As at 19 August 2016, the total number of shares on issue was 397,092,823 ordinary shares.

There were 56 shareholders holding less than a marketable parcel of shares as defined in the ASX Listing Rules, based on the closing price of AU \$5.16 on 19 August 2016. The ASX Listing Rules define a marketable parcel of shares as "a parcel of not less than AU\$500".

There is no current share buy-back taking place.

Substantial product holders

As at 30 June 2016, Trade Me had received notice that the following were substantial product holders in accordance with section 293 of the Financial Markets Conduct Act 2013. (The total number of shares on issue was 397,092,823 ordinary shares.)

	Date of last disclosure notice before 30 June 2016	Relevant interest in number of shares	% held as at the date of notice
Commonwealth Bank of Australia	6 May 2016	24,019,907	6.049
Hyperion Asset Management Limited	22 May 2013	49,550,653	12.510

Voting rights

Shareholders may vote at a meeting of shareholders, either in person or through a representative. Where voting is by show of hands or by voice, every shareholder (present in person or by representative) has one vote.

In a poll, every shareholder present in person or by representative has one vote for each share. Unless the board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes.

Limitations on the acquisition of Trade Me securities

The terms of the Company's admission to the ASX and ongoing listing requires the following disclosure. Trade Me is incorporated in New Zealand. As such, it is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

Limitations on the acquisition of securities imposed under New Zealand law are as follows:

- In general, securities in Trade Me are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% of more of the voting rights in Trade Me, or the increase of an existing holding of 20% or more of the voting rights of Trade Me, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition of a shareholder holding 90% or more of the shares.
- The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas interests. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by Trade Me, or if the overseas person already holds 25% or more, the acquisition increases that holding.
- The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in Trade Me if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

In accordance with the requirements of the ASX waiver provided at the time of the Company's admission to the ASX, Trade Me certifies that during the period from 1 July 2015 to 30 June 2016 it has been subject to, and has complied with the requirements of NZX with respect to the issue of new securities. Trade Me continues to comply with these requirements.

Credit rating

The Company has no credit rating.

Company Secretary

Trade Me's Company Secretary is Sarah Hard.

Director and employee remuneration

Employee remuneration

There were 145 Trade Me employees (or former employees) who received remuneration and other benefits in excess of \$100,000 in their capacity as employees in F16, as set out in the table below.

This includes salary, Kiwisaver contributions, STI payments, and the fair value of LTI shares at 30 June 2016. It also includes any settlement payments and payments in lieu of notice upon departure from the Company.

Salary bands (\$)	Count of Total
100,000–110,000	33
110,000–120,000	17
120,000–130,000	19
130,000–140,000	16
140,000–150,000	13
150,000–160,000	4
160,000–170,000	1
170,000–180,000	8
180,000–190,000	5
200,000–210,000	3
210,000–220,000	6
220,000–230,000	3
230,000–240,000	3
240,000–250,000	1
280,000–290,000	3
300,000–310,000	1
310,000–320,000	3
320,000–330,000	2
350,000–360,000	1
470,000–480,000	1
510,000–520,000	1
990,000–1,000,000	1

Remuneration of directors

Remuneration paid to directors of Trade Me for the F16 year is as follows:

David Kirk	\$205,000
Gail Hambly	\$100,000
Sam Morgan	\$100,000
Paul McCarney	\$100,000
Joanna Perry	\$125,000

None of the directors have received or become entitled to receive a benefit other than director's fees since the end of the financial year. Directors are reimbursed for travel and other incidental expenses incurred in attending board meetings.

Directors' disclosures

Interests register

Pursuant to section 140(2) of the Companies Act 1993 directors made the following general disclosure of interests. The following information was included in Trade Me's interest register as at 30 June 2016. Where changes in the interests register were notified during the year, or subsequently, they have been indicated below.

David Kirk	
Bailador Investment Management Limited	Director/shareholder
David Kirk Pty Limited	Director/shareholder
DocsCorp Pty Limited	Director
Foodshare Limited	Chairman
Forsyth Barr Limited	Director
Kathmandu Holdings Limited	Chairman
Kirk Family Trust Pty Limited	Director/shareholder
NZ Performance Horses Limited	Director/shareholder
Ocean Beach Wilderness Property Limited	Director
Online Ventures Pty Limited (trading as SiteMinder)	Director/shareholder
Rezdy Pty Limited	Chairman
SMI Holding Company Pty Limited	Director/shareholder
Sydney Festival Limited	Chairman
Viocorp International Pty Limited	Director/shareholder
Gail Hambly (resigned 22 June 2016)	
Fairfax Media Limited	Executive and Company Secretary
Other Fairfax subsidiaries (Australia, New Zealand, Malaysia, Singapore, United States, United Kingdom)	Director
Australian Associated Press Pty Limited	Alternate Director
Bellsline Nominees Pty Limited	Director
Canberra Newspapers Limited	Director and Secretary
Copyco Pty Limited	Chair
Paper Bond Limited	Director
Rural Press Superannuation Pty Limited	Director
The Story Factory Pty Limited	Director
Vident Pty Limited	Director and Secretary
Katrina Johnson (appointed 23 June 2016)	
eBay, Inc	Shareholder (restricted stock units)
PayPal Holdings, Inc	Shareholder (restricted stock units)

Paul McCarney

BTBI TCo Pty Limited	Director/shareholder
BTBI Holdings Pty Ltd	Director/shareholder
Codylan Pty Ltd	Director/shareholder
Culture Amp Pty Limited	Adviser
Data Republic Pty Limited	Executive Director/shareholder
Notee Finance Pty Ltd	Director/shareholder
Nuda Rudda Pty Ltd	Director/shareholder
Sector Light Group Pty Ltd	Director/shareholder

Sam Morgan

Jasmine Charitable Trust	Trustee
Jasmine Investment Trusts 1–3	Trustee
Jasmine Investment Holdings Limited	Director/shareholder
Jasmine Investment Holdings Limited No.2–5 (includes holdings in Goodnest Limited and Wynyard Limited)	Director/shareholder
Kiwi Landing Pad Limited	Director/shareholder
Vend Limited	Director
vWork Limited (formerly known as Visfleet)	Director/shareholder
Willis Bond Capital Partners Limited	Advisory Board member
Willis Bond Capital Partners No2 Limited	Advisory Board member
Xero Limited	Director/shareholder – Resigned July 2016

Joanna Perry

Genesis Power Limited	Deputy Chair
IFRS Advisory Council	Chair
JMGP Limited	Director/shareholder
Kiwi Property Group Limited	Director
National Health Committee	Member – Committee disestablished March 2016
Partners Group Holdings Limited	Director
Partners Life Limited	Director
Primary Growth Partnership	Chair of Investment Advisory Panel – Resigned April 2016
Rowing New Zealand Limited	Director
Sports and Recreation New Zealand	Director
Tainui Group Holdings	Board adviser – Resigned July 2015

Directors' and officers' indemnities and insurance

In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, Trade Me indemnifies and insures directors and officers against liability to other parties that may arise from their position. Details are maintained in the interests register as required by the Companies Act 1993.

Disclosure of directors' interests in share transactions

There were no disclosures made of acquisitions or dispositions of Trade Me shares by directors (under section 148(2) of the Companies Act 1993) in the year ending 30 June 2016.

Directors' relevant interests in shares

Directors held the following relevant interests in voting securities of Trade Me as at 30 June 2016.

	Directly held	Held by associated persons
David Kirk		157,625
Gail Hambly	19,218	
Paul McCarney		30,000
Sam Morgan		525,680
Joanna Perry	26,000	
Katrina Johnson	0	0

Subsidiary company directors

The directors of the Company's subsidiary companies during the F16 year were Jon Macdonald and Jonathan Klouwens, until his resignation from the company when he was replaced by Colin Rohloff.

In the case of Kevin's Australian Investments Pty Limited and MotorWeb Australia Pty Limited the directors were Gail Hambly and Jonathan Klouwens, until his resignation from the Company when he was replaced by Colin Rohloff.

They do not receive or retain any remuneration as directors.

The subsidiaries are

- Trade Me Limited
- Old Friends Limited
- Paystation Limited
- Trade Me Comparisons Limited
- TMG Trustee Limited
- Kevin's Australian Investments Pty Limited
- MotorWeb Australia Pty Limited

Shareholder communications

Trade Me prefers to communicate with shareholders online and via email. However shareholders have the right to receive a copy of the Annual Report on request.

Share registry

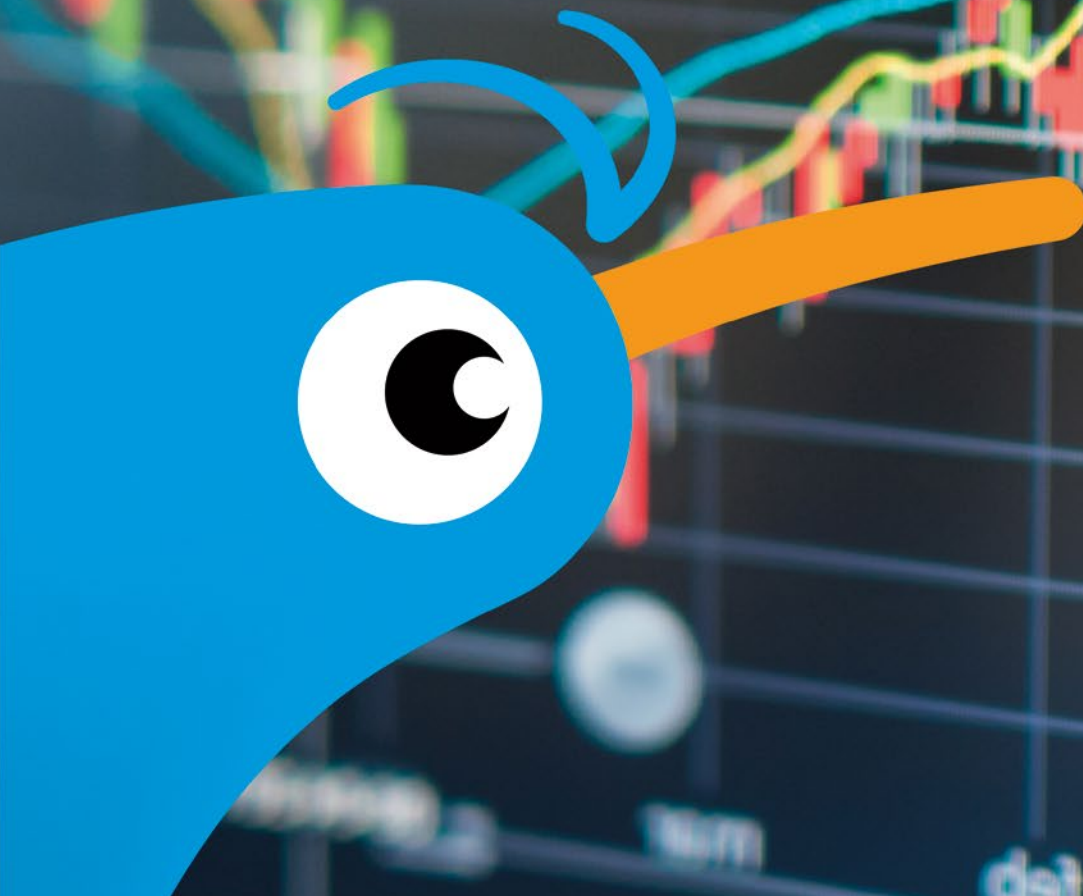
The contact details for Link Market Services, Trade Me's share registry, are set out in the Directory on page 83.

Further information online

Please visit the Trade Me investor relations website (investors.trademe.co.nz) for more information, including details of announcements, corporate governance policies, and FAQs.

Financial statements

for the year ended 30 June 2016



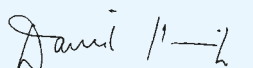
Statement of comprehensive income for the year ended 30 June 2016

	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

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

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

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 Harmony		–	(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*	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating Segments				
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.

5.1 Current year acquisitions

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 Harmoney:		
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:		
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:

	2016 \$'000	2015 \$'000
Remuneration of the auditors		
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.



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 54 to 77, 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 54 to 77 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

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.

How our audit addressed the key audit matter

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

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.

How our audit addressed the key audit matter

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.

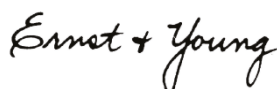
In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group 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](https://www.xrb.govt.nz/Site/Auditing%20Assurance%20Standards/Current%20Standards/Page%201.aspx)

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



Wellington

17 August 2016

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Stock exchange listings

Trade Me Group Limited shares are listed on the NZ Stock Exchange and the Australian Stock Exchange (Listing code: TME)

Registered office

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Australia

NZ Company Number: 3590412
ARBN: 154 115 723

Investor information

investors.trademe.co.nz

Board of directors

- David Edward Kirk (Chairman)
- Samuel Gareth Morgan
- Paul Milton McCarney
- Joanna Mary Gordon Perry
- Katrina Louise Johnson (appointed 23 June)
- Gail Iris Hambly (resigned 22 June)

Auditor

EY
100 Willis Street
Wellington 6011
New Zealand

Share registrar

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online: <https://investorcentre.linkmarketservices.co.nz/>
Otherwise, please contact Link Market Services here:

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