

# Financial statements

for the year ended 30 June 2013



# Statement of comprehensive income for the year ended 30 June 2013

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
General items		65,496	62,408	–	–
Classifieds		69,708	53,904	–	–
Other	5	28,910	26,146	72,786	687
<b>Total revenue</b>		<b>164,114</b>	<b>142,458</b>	<b>72,786</b>	<b>687</b>
Employee benefit expense		(21,203)	(17,228)	–	–
Web infrastructure expense		(3,016)	(2,895)	–	–
Promotion expense		(2,750)	(2,602)	–	–
Other expenses	5	(13,683)	(13,097)	–	–
<b>Total expenses</b>		<b>(40,652)</b>	<b>(35,822)</b>	<b>–</b>	<b>–</b>
Share of profit from associate	13	–	502	–	–
Gain recognised on disposal of interest in former associate	13	–	3,269	–	–
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>123,462</b>	<b>110,407</b>	<b>72,786</b>	<b>687</b>
Depreciation and amortisation	9, 10	(8,735)	(5,165)	–	–
<b>Earnings before interest and tax</b>		<b>114,727</b>	<b>105,242</b>	<b>72,786</b>	<b>687</b>
Finance income	6	1,926	1,329	–	–
Finance costs		(7,185)	(4,042)	(6,757)	(4,024)
<b>Profit/(loss) before income tax</b>		<b>109,468</b>	<b>102,529</b>	<b>66,029</b>	<b>(3,337)</b>
Income tax expense	17	(30,872)	(26,937)	–	–
<b>Profit/(loss) for the year</b>		<b>78,596</b>	<b>75,592</b>	<b>66,029</b>	<b>(3,337)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>78,596</b>	<b>75,592</b>	<b>66,029</b>	<b>(3,337)</b>
<b>Earnings per share</b>					
Basic/diluted (cents per share)	22	19.84	19.10		

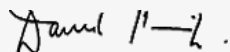
The above statement should be read in conjunction with the accompanying notes.

# Statement of financial position as at 30 June 2013

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Assets</b>					
Cash and cash equivalents		48,857	39,135	–	–
Trade and other receivables	7	9,004	5,310	2,436	–
<b>Total current assets</b>		<b>57,861</b>	<b>44,445</b>	<b>2,436</b>	<b>–</b>
Trade and other receivables	7	814	–	–	–
Derivative financial instruments	8	78	–	78	–
Property, plant and equipment	9	5,449	4,342	–	–
Other intangible assets	10	45,672	43,675	–	–
Goodwill	11	730,703	729,724	–	–
Investment in subsidiary	12	–	–	1,235,622	1,235,946
Deferred tax asset	17	875	824	–	–
<b>Total non-current assets</b>		<b>783,591</b>	<b>778,565</b>	<b>1,235,700</b>	<b>1,235,946</b>
<b>Total assets</b>		<b>841,452</b>	<b>823,010</b>	<b>1,238,136</b>	<b>1,235,946</b>
<b>Liabilities</b>					
Trade and other payables	15	11,522	9,649	420	4,274
Derivative financial instruments	8	24	–	24	–
Income tax payable	17	6,953	8,944	–	–
<b>Total current liabilities</b>		<b>18,499</b>	<b>18,593</b>	<b>444</b>	<b>4,274</b>
Interest bearing loans and borrowings	16	165,858	165,758	165,858	165,758
Other non-current liabilities		29	80	–	–
<b>Total non-current liabilities</b>		<b>165,887</b>	<b>165,838</b>	<b>165,858</b>	<b>165,758</b>
<b>Total liabilities</b>		<b>184,386</b>	<b>184,431</b>	<b>166,302</b>	<b>170,032</b>
<b>Equity</b>					
Contributed equity	18	1,069,196	1,069,051	1,069,196	1,069,051
Share based payment reserve	21	557	200	557	200
Other reserves	2.3	(485,737)	(485,737)	–	–
Retained earnings/(losses)		73,050	55,065	2,081	(3,337)
<b>Total equity attributable to owners of the Company</b>		<b>657,066</b>	<b>638,579</b>	<b>1,071,834</b>	<b>1,065,914</b>
<b>Total equity and liabilities</b>		<b>841,452</b>	<b>823,010</b>	<b>1,238,136</b>	<b>1,235,946</b>

For and on behalf of the Board of Directors who authorised these financial statements for issue on 20 August 2013:

David Kirk  
Chairman



Joanna Perry  
Chair of The Audit & Risk  
Management Committee



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

## Statement of changes in equity for the year ended 30 June 2013

Group	Note	Ordinary shares \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
<b>As at 1 July 2011</b>		–	–	<b>19,673</b>	<b>749,885</b>	<b>769,558</b>
Profit for the year and total comprehensive income		–	–	75,592	–	75,592
Dividends on Trade Me Limited ordinary shares	19	–	–	(40,200)	–	(40,200)
Share based payments	21	–	200	–	–	200
Shares issued to Fairfax Digital Holdings NZ Limited	18	705,672	–	–	(705,672)	–
Initial public offering	18	363,379	–	–	–	363,379
Distribution to Fairfax New Zealand Holdings Limited		–	–	–	(529,950)	(529,950)
<b>As at 30 June 2012</b>		<b>1,069,051</b>	<b>200</b>	<b>55,065</b>	<b>(485,737)</b>	<b>638,579</b>
Profit for the year and total comprehensive income		–	–	78,596	–	78,596
Dividends	19	–	–	(60,611)	–	(60,611)
Supplementary dividends		–	–	(5,390)	–	(5,390)
Tax credit on supplementary dividends		–	–	5,390	–	5,390
Share based payments	21	–	357	–	–	357
Shares issued to employees	18	145	–	–	–	145
<b>As at 30 June 2013</b>		<b>1,069,196</b>	<b>557</b>	<b>73,050</b>	<b>(485,737)</b>	<b>657,066</b>

Company	Note	Ordinary shares \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>As at 1 July 2011</b>		–	–	–	–
Loss for the year and total comprehensive income		–	–	(3,337)	(3,337)
Share based payments	21	–	200	–	200
Shares issued to Fairfax Digital Holdings NZ Limited	18	705,672	–	–	705,672
Initial public offering	18	363,379	–	–	363,379
<b>As at 30 June 2012</b>		<b>1,069,051</b>	<b>200</b>	<b>(3,337)</b>	<b>1,065,914</b>
Profit for the year and total comprehensive income		–	–	66,029	66,029
Dividends	19	–	–	(60,611)	(60,611)
Supplementary dividends		–	–	(5,390)	(5,390)
Tax credit on supplementary dividends		–	–	5,390	5,390
Share based payments	21	–	357	–	357
Shares issued to employees	18	145	–	–	145
<b>As at 30 June 2013</b>		<b>1,069,196</b>	<b>557</b>	<b>2,081</b>	<b>1,071,834</b>

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

# Statement of cash flows for the year ended 30 June 2013

	Note	Group	
		2013 \$'000	2012 \$'000
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers (inclusive of GST)		183,544	164,850
Payments to suppliers and employees (inclusive of GST)		(62,719)	(56,467)
Cash transferred to Trust		–	(11,771)
Income tax paid		(27,525)	(25,598)
Interest received		1,864	1,062
Dividends received		–	389
<b>Net cash flows from operating activities</b>	25	<b>95,164</b>	<b>72,465</b>
<b>Cash flows from/(used in) investing activities</b>			
Proceeds from liquidation of AutoBase Limited	13	–	3,990
Payment for purchase of property, plant and equipment		(3,490)	(1,134)
Payment for purchase of intangibles		(5,964)	(3,212)
Loans to related parties		–	(11,532)
Purchase of AutoBase business	13	–	(15,404)
Business acquisition	14	(3,327)	–
Proceeds from disposal of business	14	350	–
<b>Net cash flows (used in) investing activities</b>		<b>(12,431)</b>	<b>(27,292)</b>
<b>Cash flows used in financing activities</b>			
Dividends paid		(66,000)	(8,229)
Interest paid on borrowings		(7,011)	(3,821)
<b>Net cash flows (used in) financing activities</b>		<b>(73,011)</b>	<b>(12,050)</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,722</b>	<b>33,123</b>
Cash and cash equivalents at beginning of period		39,135	6,012
<b>Cash and cash equivalents at end of period</b>		<b>48,857</b>	<b>39,135</b>
<b>Company</b>			
	Note		
There are no cash flows for the Company	25		

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

## 1 | General information

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 address of its registered office and primary place of business is Level 3, NZX Centre, 11 Cable Street, Wellington, New Zealand.

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The nature of the operations and principal activities of the Company are to operate and manage all Trade Me websites including online marketplace, classified advertising, travel, holiday accommodation and online dating.

## 2 | Summary of significant accounting policies

### 2.1 Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Board of Directors on 20 August 2013.

### 2.2 Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The Group financial statements have been prepared on a historical cost basis, except for derivative financial instruments, 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 (\$'000).

### 2.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management are 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.

### Critical judgements in applying accounting policies

#### Group reorganisation

In the comparative period the Company acquired 100% of the Trade Me Limited share capital from Fairfax New Zealand Holdings Limited (FNZHL), via two intermediary holding companies. The reorganisation resulted in the new legal parent Trade Me Group Limited (formed on 13 October 2011) wholly owning Trade Me Limited, the continuing economic entity.

To reflect the substance of the reorganisation the consolidated financial statements have been prepared as a continuation of Trade Me Limited, as accounted for by its previous holding company FNZHL and adjusted for the impact of the initial public offer of the Company on the New Zealand and Australian stock exchanges in December 2011, using the book value method of accounting.

The book value method of accounting involves:

- in the comparative period, the recognition of the book value of the business assets and liabilities, including goodwill and intangible assets as reported in the consolidated financial statements of FNZHL;
- the transfer of the Trade Me Limited share capital to other reserves in the comparative period to reflect the legal share capital of the Company prior to the initial public offer;
- no new goodwill recognised as a result of the combination; and
- no adjustments to reflect fair value.

The difference between the existing book values as previously reported by FNZHL and the purchase price for the acquisition of Trade Me Limited resulted in a debit adjustment on consolidation to other reserves of \$485.7 million.

### Key sources of estimation uncertainty

#### Impairment testing of goodwill

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. The assumptions used in this estimation are discussed in note 11.

### 2.4 Functional and presentation currency

Both the functional and presentation currency of the Company is New Zealand Dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates 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.

## 2.5 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 has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

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.

Investments in subsidiaries are recorded at cost less any impairment in the Company's separate financial statements.

## 2.6 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with NZ IAS 39—Financial Instruments: Recognition and Measurement, or NZ IAS 37—Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If the fair value of the assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the

goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

## 2.7 Investments in associates

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.

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 profit from associate" in profit or loss.

## 2.8 Revenue recognition and prepaid commissions

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.

### Member income

Income from members is recognised when either:

- members have their prepay accounts charged for using Trade Me services;
- members forfeit prepaid balances on the closing of accounts;
- manual processing fees are charged to members obtaining refunds of prepay accounts; or
- other fees are charged to members in accordance with Trade Me terms and conditions.

The Group operates member prepay accounts, where members deposit funds on account for future use of Trade Me services. Member funds are held on trust on behalf of members and consequently the cash held and related prepaid member liability are not reported in the Group's statement of financial position.



## Other service income

The Group recognises income relating to online services provided to commercial clients in motors, property, jobs, advertising, travel and group buying at the point at which the service is delivered.

## Finance income

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

## Dividends

Dividends received from the Company's subsidiaries are recognised in the Company's separate financial statements when the right to receive payment is established.

## 2.9 Interest bearing liabilities

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.

## 2.10 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.

## 2.11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank 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.

## 2.12 Trade and other receivables

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.

## 2.13 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

## 2.14 Derivative financial instruments

The group uses derivative financial instruments to hedge 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.

## 2.15 Goods and Service 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. GST paid to the taxation authority is included within payments to suppliers and employees in the statement of cash flows.

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

## 2.16 Income tax

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 the 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.

### 2.17 Property, plant and equipment

Property, plant and equipment is initially recorded at cost, including costs directly attributable to bring the asset to its working condition, less accumulated depreciation and any accumulated impairment losses. Any expenditure that increases the economic benefits derived from the asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefits is expensed in the period it occurs.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets.

Major depreciation categories are as follows:

- Plant and equipment 8%–21%
- Computer equipment 20%–40%
- Motor vehicles 21%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate at each financial year end.

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.

### 2.18 Other intangible assets

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. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets include brands, software, web-site development costs and customer relationships.

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. Website development costs include external costs, and wages and overheads that are directly attributable to the website development.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the estimated useful life of the specific assets as follows:

- Website development costs 20%–40%
- Software 20%–40%
- Customer relationships 20%

Intangible assets with indefinite useful lives are tested for impairment as outlined in note 2.19 below.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from 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.

### 2.19 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable

amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

## 2.20 Trade and other payables

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.

## 2.21 Employee entitlements

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

## 2.22 Share based payments

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 transactions).

### 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 benefit 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.

## 2.23 Provisions

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.

## 2.24 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset, even if that right is not explicitly specified in an arrangement.

### Operating leases

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 lease liability.

## 2.25 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.26 Operating segments

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker responsible for allocating resources and assessing performance of operating segments is the Chief Executive Officer.

## 2.27 Non-GAAP reporting measures

Additional reporting measures have been presented in the statement of comprehensive income or referenced to in the notes to the financial statements. The following non-GAAP measures are relevant to the understanding of the Group financial performance:

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

### 3 | New standards, amendments and interpretations

#### Adoption of new and revised standards, amendments and interpretations

The standards, amendments and interpretations listed below that are applicable to the Group became mandatory in the current year.

- Amendments to NZ IAS 12 Income Tax
- Amendments to NZ IAS 1 Presentation of Financial Statements

The adoptions of these new and revised standards, amendments and interpretations do not have a material impact on the results or position reported by the Group.

#### Standards, amendments and interpretations, not yet effective in the current period

The following are the new or revised standards, amendments and interpretations applicable to the Group which are issued but are not yet required to be adopted by the Group and have not been applied by the Group in preparing its financial statements for the year ending 30 June 2013:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 'Financial Instruments'	1 January 2015	30 June 2016
NZ IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
NZ IFRS 11 'Joint Arrangements'	1 January 2013	30 June 2014
NZ IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
NZ IFRS 13 'Fair Value Measurement'	1 January 2013	30 June 2014
Amendments to NZ IAS 19 'Employee Benefits'	1 January 2013	30 June 2014
NZ IAS 27 'Separate Financial Statements' (revised 2011)	1 January 2013	30 June 2014
NZ IAS 28 'Investments in Associates and Joint Ventures' (revised 2011)	1 January 2013	30 June 2014
Improvements to IFRS:2009–2011 cycle	1 January 2013	30 June 2014
Amendments to NZ IFRS 7 'Financial Instruments'	1 January 2013	30 June 2014
Amendments to NZ IAS 32 'Financial Instruments Presentation'	1 January 2014	30 June 2015

The new standards are not expected to significantly impact the Group.

## 4 | 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 on-line 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, on-line dating, Pay Now and Treat Me (now discontinued).

Segment revenue and EBITDA are reported in these financial statements as this is reflective of the information the Chief Executive Officer receives on a monthly basis for each of the operating segments. In the comparative period, segment EBITDA was not reported to the Chief Executive Officer and consequently was not reported in the previous year's financial statements. Segment EBITDA for the comparative period has not been determined retrospectively as the cost and effort required to do so is considered excessive.

### (b) Segment revenues, EBITDA and reconciliation to overall result

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

	Revenue 2013 \$'000	Revenue 2012 \$'000	Segment EBITDA* 2013 \$'000
<b>Operating segments</b>			
General items	65,496	62,408	51,910
Classifieds	69,708	53,904	55,962
Other	28,910	26,146	15,590
<b>Total for continuing operations</b>	<b>164,114</b>	<b>142,458</b>	<b>123,462</b>
<i>Reconciliation to overall result</i>			
Depreciation and amortisation			(8,735)
Finance income			1,926
Finance costs			(7,185)
<b>Profit before income tax</b>			<b>109,468</b>

\*EBITDA (a non-GAAP measure) as defined in the accounting policies to these financial statements note 2.27.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in the current period (2012: nil).

### (c) Segment assets and liabilities

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.

## (d) Other information

### Geographical

The Group operates within New Zealand, and derived no material revenue from foreign countries for the year ended 30 June 2013 or the prior year ended 30 June 2012.

### Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2013 (2012: nil).

## 5 | Other revenue and expenses include

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Dividend revenue	–	–	(72,786)	(687)
(Gain)/loss on disposal of plant and equipment	(389)	2	–	–
(Gain) on disposal of business	(501)	–	–	–
Donations	64	76	–	–
Net foreign exchange losses	–	10	–	–
Operating lease expenditure including rent	1,362	972	–	–

### Remuneration to the auditors included

Audit of annual financial statements	105	98
Review of interim (half year) financial statements	42	41
Preparation of greenhouse gas emissions reporting ('CarboNZero')	7	7
Tax advisory	–	2
<b>Total remuneration paid or payable to EY</b>	<b>154</b>	<b>148</b>

## 6 | Finance income

	Note	Group	
		2013 \$'000	2012 \$'000
Other interest income		1,926	853
Interest on loans to related parties	23	–	476
<b>Total finance income</b>		<b>1,926</b>	<b>1,329</b>

## 7 | Trade and other receivables

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Current assets</b>					
Trade receivables		5,912	3,963	–	–
Provision for doubtful debts		(131)	(122)	–	–
Prepayments		590	174	–	–
Accrued revenue		2,237	396	–	–
Amounts due from related parties	23	–	899	2,436	–
Loans receivable	24	396	–	–	–
		<b>9,004</b>	<b>5,310</b>	<b>2,436</b>	<b>–</b>
<b>Ageing of past due impaired and not impaired trade receivables</b>					
0–30 days		4,748	3,678		
31–60 days		660	131		
31–60 days (considered impaired)		7	1		
61–90 days (past due but not impaired)		282	32		
61–90 days (considered impaired)		9	1		
> 90 days (past due but not impaired)		91	–		
> 90 days (considered impaired)		115	120		
		<b>5,912</b>	<b>3,963</b>		
<b>Non-current assets</b>					
Loans receivable	24	814	–		
		<b>814</b>	<b>–</b>		

## 8 | Derivative financial instruments

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Interest rate swaps</b>				
Current portion	(24)	–	(24)	–
Non-current portion	78	–	78	–
<b>Total derivative financial instruments</b>	<b>54</b>	<b>–</b>	<b>54</b>	<b>–</b>

## 9 | Property, plant and equipment

Group	Motor vehicles \$'000	Computer equipment \$'000	Plant and equipment \$'000	Total \$'000
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2011</b>	<b>132</b>	<b>10,214</b>	<b>1,034</b>	<b>11,380</b>
Additions	13	2,240	409	2,662
Acquisition as part of business combination	–	39	18	57
Disposals	–	–	(9)	(9)
<b>Balance at 30 June 2012</b>	<b>145</b>	<b>12,493</b>	<b>1,452</b>	<b>14,090</b>
Additions	10	3,461	478	3,949
Acquisition as part of business combination	–	39	19	58
Disposals	(77)	(1,099)	(43)	(1,219)
<b>Balance at 30 June 2013</b>	<b>78</b>	<b>14,894</b>	<b>1,906</b>	<b>16,878</b>
<b>Accumulated depreciation</b>				
<b>Balance at 1 July 2011</b>	<b>(41)</b>	<b>(6,730)</b>	<b>(528)</b>	<b>(7,299)</b>
Disposals	–	–	4	4
Depreciation expense	(27)	(2,297)	(129)	(2,453)
<b>Balance at 30 June 2012</b>	<b>(68)</b>	<b>(9,027)</b>	<b>(653)</b>	<b>(9,748)</b>
Disposals	39	1,026	41	1,106
Depreciation expense	(26)	(2,567)	(194)	(2,787)
<b>Balance at 30 June 2013</b>	<b>(55)</b>	<b>(10,568)</b>	<b>(806)</b>	<b>(11,429)</b>
<b>Net book value</b>				
<b>Balance at 30 June 2012</b>	<b>77</b>	<b>3,466</b>	<b>799</b>	<b>4,342</b>
<b>Balance at 30 June 2013</b>	<b>23</b>	<b>4,326</b>	<b>1,100</b>	<b>5,449</b>



## 10 | Other intangible assets

Group	Note	Brand \$'000	Software \$'000	Development costs \$'000	Other \$'000	Total \$'000
<b>Gross carrying amount</b>						
<b>Balance at 1 July 2011</b>		<b>32,691</b>	<b>2,237</b>	<b>4,960</b>	<b>376</b>	<b>40,264</b>
Additions		–	446	2,766	–	3,212
Acquisition as part of business combination		–	7,200	–	–	7,200
Disposals		–	–	(1,766)	–	(1,766)
<b>Balance at 30 June 2012</b>		<b>32,691</b>	<b>9,883</b>	<b>5,960</b>	<b>376</b>	<b>48,910</b>
Additions		5	865	5,174	–	6,044
Acquisition as part of business combination	14	–	2,157	18	–	2,175
Disposals		–	(75)	(3,225)	–	(3,300)
<b>Balance at 30 June 2013</b>		<b>32,696</b>	<b>12,830</b>	<b>7,927</b>	<b>376</b>	<b>53,829</b>
<b>Accumulated amortisation</b>						
<b>Balance at 1 July 2011</b>		<b>–</b>	<b>(1,423)</b>	<b>(2,776)</b>	<b>(90)</b>	<b>(4,289)</b>
Disposals		–	–	1,766	–	1,766
Amortisation expense		–	(847)	(1,773)	(92)	(2,712)
<b>Balance at 30 June 2012</b>		<b>–</b>	<b>(2,270)</b>	<b>(2,783)</b>	<b>(182)</b>	<b>(5,235)</b>
Disposals		–	–	3,026	–	3,026
Amortisation expense		–	(4,109)	(1,760)	(79)	(5,948)
<b>Balance at 30 June 2013</b>		<b>–</b>	<b>(6,379)</b>	<b>(1,517)</b>	<b>(261)</b>	<b>(8,157)</b>
<b>Net book value</b>						
<b>Balance at 30 June 2012</b>		<b>32,691</b>	<b>7,613</b>	<b>3,177</b>	<b>194</b>	<b>43,675</b>
<b>Balance at 30 June 2013</b>		<b>32,696</b>	<b>6,451</b>	<b>6,410</b>	<b>115</b>	<b>45,672</b>

## 11 | Goodwill

Group	Note	
<b>Gross carrying amount</b>		<b>\$'000</b>
<b>Balance at 1 July 2011</b>		<b>721,561</b>
Acquisition as part of business combination		8,163
<b>Balance at 30 June 2012</b>		<b>729,724</b>
Additions	14	1,469
Disposals	14	(490)
<b>Balance at 30 June 2013</b>		<b>730,703</b>

There is no accumulated impairment at 30 June 2013 (2012: nil).

### 11.1 Allocation of goodwill and brand to cash-generating units

Management reviews the business performance for three reportable segments (refer note 4), being separately identifiable groups of cash generating units. The following is a summary of the goodwill allocation to each cash generating unit:

Cash generating unit	2013 \$'000	2012 \$'000
General items	295,663	295,663
Classifieds	355,806	355,806
Other	79,234	78,255
	<b>730,703</b>	<b>729,724</b>

Brand is not separately allocated to cash generating units.

### 11.2 Impairment testing

#### Goodwill

Goodwill has been tested for impairment as at 30 June 2013.

The recoverable amount for the 'General items', 'Classifieds' and 'Other' cash-generating units is determined based on value in use calculations. These calculations use cash flow projections based on the 2014 financial budgets approved by the directors extrapolated over a four-year period, and discount rates of between 13%–17% per annum. Management has also considered the Group's market capitalisation when performing the impairment assessment.

The calculations which are applied consistently against the 'General items', 'Classifieds' and 'Other' cash-generating units, confirmed that there was no impairment of goodwill or brand during the year (2012: nil). Management believes that any reasonable possible change in the key assumptions including an increase in the discount rate applied or reduction in future growth rates, would not cause the carrying amount to exceed its recoverable amount.

#### Brand

The continued increase in member numbers and transactions through the various Trade Me websites supports the assumption that the brand has an indefinite useful life.

## 12 | Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation	Ownership interests and voting rights	
			2013	2012
Trade Me Limited	Operate and manage all Trade Me websites	New Zealand	100%	100%
Old Friends Limited	Non-trading	New Zealand	100%	100%
Trade Me Comparisons Limited	Non-trading	New Zealand	100%	n/a
TMG Trustee Limited	Non-trading	New Zealand	100%	n/a

## 13 | Associates

Until April 2012, the Group had a 25.4% interest in an associate investment, AutoBase Limited. On 30 April 2012, the Group acquired the assets and liabilities constituting the business of AutoBase for \$15.4 million and following the acquisition, AutoBase Limited was put into voluntary liquidation, with the net proceeds distributed to shareholders. This meant that in the comparative period, the Group recognised \$0.5 million share of profit from associate, and \$3.3 million gain from remeasuring the investment to fair value at the date of the business combination.

## 14 | Acquisitions and disposals

### 14.1 Acquisitions

The Company gained control over the following businesses during the year.

Entity from which business was acquired	Principal activity	Acquisition date	Interest
Tradevine Limited	Online e-commerce management and administration tool	27 August 2012	100%
Baches and Holiday Homes to Rent Limited	Holiday accommodation classifieds	18 December 2012	100%

The fair values of the identifiable assets and liabilities acquired for the acquisitions above, none of which were individually significant to the Group, were:

Assets and liabilities acquired at the date of acquisition	2013 \$'000
Software	2,157
Other	18
Goodwill*	1,469
Revenue in advance	(265)
Other liabilities	(52)
<b>Total identifiable net assets and liabilities attributable to the Group</b>	<b>3,327</b>

Satisfied by:

<b>Cash paid on acquisition dates</b>	<b>3,327</b>
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\*Goodwill of \$1.5 million includes synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Company. The acquired work forces and future growth opportunities are also key factors contributing to the goodwill acquired during the reporting period. None of the goodwill is expected to be deductible for tax purposes.

The consolidated statement of comprehensive income includes immaterial revenue and net profit for the year ended 30 June 2013, as a result of acquisitions of business combinations made during the reporting period. Had the acquisitions occurred at the beginning of the reporting period, the consolidated income statement would have had no material change to revenue and profit for the period.

Acquisition related costs were immaterial.

### 14.2 Disposals

On 24 April 2013 the Group sold the assets and liabilities which constitute the online group buying business trading as Treat Me. Consideration received included cash and secured vendor financing. The transaction is not significant and had no material impact on these financial statements.

## 15 | Trade and other payables

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade payables		3,155	2,680	–	–
Related party payable	23	–	203	–	3,789
Accrued expenses		5,685	4,405	420	361
Revenue in advance		1,685	1,366	–	–
Employee entitlements		997	995	–	124
		<b>11,522</b>	<b>9,649</b>	<b>420</b>	<b>4,274</b>

## 16 | Interest bearing loans and borrowings

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Committed cash advance facility	166,000	166,000	166,000	166,000
Deferred funding costs	(142)	(242)	(142)	(242)
	<b>165,858</b>	<b>165,758</b>	<b>165,858</b>	<b>165,758</b>

The Commonwealth Bank of Australia has provided a \$200 million committed cash advance loan facility to the Company. The maturity date of the facility is 13 December 2014.

The interest rate is re-set every 90 days (refer note 24).

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 earnings before interest, tax, depreciation and amortisation, and interest cover.

There have been no covenant breaches.

## 17.1 Income tax recognised in profit or loss

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Tax expense comprises:</b>				
Current tax charge/(credit)	30,923	27,572	(1,892)	(1,185)
Deferred tax relating to the origination and reversal of temporary differences	(51)	(635)	1,892	1,185
<b>Total tax charge</b>	<b>30,872</b>	<b>26,937</b>	<b>–</b>	<b>–</b>

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

Profit/(loss) from operations	109,468	102,529	66,029	(3,337)
Income tax expense/(credit) calculated at 28%	30,651	28,708	18,488	(934)
Non-deductible expenses	165	98	–	33
Non-assessable income	–	(1,074)	(20,380)	(192)
Other	56	(795)	1,892	1,093
	<b>30,872</b>	<b>26,937</b>	<b>–</b>	<b>–</b>

## 17.2 Current tax assets and liabilities

Group	2013 \$'000	2012 \$'000
Tax payable	6,953	8,944
	<b>6,953</b>	<b>8,944</b>

### 17.3 Deferred tax balances

Group 2013	Opening balance \$'000	Charged to profit or loss \$'000	Closing balance \$'000
Doubtful debts	72	(35)	37
Revenue in advance	177	42	219
Other	575	44	619
<b>Total deferred tax assets</b>	<b>824</b>	<b>51</b>	<b>875</b>

Group 2012	Opening balance \$'000	Charged to profit or loss \$'000	Closing balance \$'000
Doubtful debts	26	46	72
Revenue in advance	272	(95)	177
Other	391	184	575
<b>Total deferred tax assets</b>	<b>689</b>	<b>135</b>	<b>824</b>
Other	(500)	500	–
<b>Total deferred tax liabilities</b>	<b>(500)</b>	<b>500</b>	<b>–</b>
<b>Net deferred tax</b>	<b>189</b>	<b>635</b>	<b>824</b>

#### Company

There is an unrecognised deferred tax asset for the Company of \$1.9 million consisting of tax losses which will be surrendered to the tax group for nil consideration. (2012: \$1.2 million)

### 17.4 Imputation credit account

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Imputation credits available for use in subsequent periods</b>	<b>6,983</b>	<b>17,953</b>	<b>–</b>	<b>–</b>



## 18 | Contributed equity

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Balance at beginning of period</b>	<b>1,069,051</b>	–	<b>1,069,051</b>	–
Ordinary shares issued during the period	145	1,069,051	145	1,069,051
<b>Balance at end of the period</b>	<b>1,069,196</b>	<b>1,069,051</b>	<b>1,069,196</b>	<b>1,069,051</b>

Movement in ordinary shares on issue	Note	Group		Company	
		2013 000's	2012 000's	2013 000's	2012 000's
<b>Balance at beginning of period</b>		<b>396,000</b>	–	<b>396,000</b>	–
Issue of ordinary shares		37	396,000	37	396,000
Issue of restricted shares	21	274	–	274	–
<b>Balance at the end of the period</b>		<b>396,311</b>	<b>396,000</b>	<b>396,311</b>	<b>396,000</b>

On 13 December 2011, 396.0 million shares were issued via an initial public offer for a total value of \$1,069.0 million.

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares have no par value. Restricted shares are the same as ordinary shares except that they cannot be sold until they vest and convert to ordinary shares.

## 19 | Dividends paid and proposed

	2013 \$'000	2012 \$'000
Fully imputed dividend on Trade Me Limited ordinary shares: \$206.44 per share		40,200
Fully imputed dividends on Trade Me Group Limited ordinary shares:		
Final dividend for 2012 at 7.8 cents per share	30,888	
Interim dividend for 2013 at 7.5 cents per share	29,723	
Dividends declared and proposed after reporting date, but not recorded as a liability in these financial statements: 8.3 cents per share	32,894	

## 20 | Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	Year Ended 2013 \$'000	Year Ended 2012 \$'000
Short-term benefits	2,778	1,965
Share-based payments	342	131
<b>Total compensation</b>	<b>3,120</b>	<b>2,096</b>

## 21 | Share based payment plans

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 granted, the weighted average issue price, the weighted average fair value, and the qualification criteria for reclassification of the restricted shares into ordinary shares as follows:

Payment plan reference	Grant date	Number granted	Weighted average issue price	Weighted average fair value	Vesting date
Post IPO plan	13-Dec-11	292,986	\$2.70	\$2.03	31-Dec-13

### Vesting criteria:

The Group achieves an EBITDA of \$110.9 million during the period commencing 1 January 2012 and ended 31 December 2012, and the participant remains in continuous employment with Trade Me until 31 December 2013.

Payment plan reference	Grant date	Number granted	Weighted average issue price	Weighted average fair value	Vesting date
FY 13 plan (tranche 1)	1-Oct-12	58,880	\$3.97	\$2.14	30-Sep-14
FY 13 plan (tranche 2)	1-Oct-12	176,638	\$3.97	\$2.14	30-Sep-15

**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 Group'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 30 September 2014/15, then 100% of shares will vest. For performance between the 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 the vesting 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 2 or 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 the vesting date.

The Group expense recognised in the current period was \$0.7 million (2012: \$0.3 million), with a corresponding liability for PAYE of \$0.3 million (2012: \$0.1 million) and an increase in equity of \$0.4 million (2012: \$0.2 million).

There have been no cancellations or modifications to the plans during 2013 and 2012.

## 22 | Earnings per share

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

	Group	
	2013	2012
Earnings used for the calculation of basic and diluted earnings (\$'000):	78,596	75,592
Weighted average number of shares on issue (000's)	396,232	395,746
Basic and diluted earnings per share (cents)	19.84	19.10

Basic earnings per share is calculated by dividing the Group profit for the year by the weighted average number of ordinary and restricted shares outstanding during the year. For the prior period, only shares on issue as at 30 June 2012 were used for the calculation as there were no shares on issue at 1 July 2011.

Diluted earnings per share equals basic earnings per share, since there are no potentially dilutive ordinary shares.

## 23 | Related party transactions

The Company was a majority-owned subsidiary of Fairfax Digital Holdings NZ Limited until 21 December 2012. The ultimate parent of the Company was Fairfax Media Limited, which is a company domiciled in Australia and listed on the Australian Stock Exchange. On 21 December 2012 Fairfax Media sold its remaining shares in the Company to a number of individual shareholders, and is no longer a controlling shareholder.

The following significant transactions occurred between the Group and subsidiaries of Fairfax Media Limited during the prior year ended 30 June 2012:

### Pre-restructure transactions

- Trade Me Limited declared and paid a dividend of \$40.2 million to Fairfax New Zealand Holdings Limited prior to the IPO of shares in Trade Me Group Limited.
- Trade Me Limited provided net treasury funding of \$10.8 million to Fairfax Media Group Finance Pty Limited during the period.
- Trade Me Limited repaid \$9.3 million owing to Fairfax New Zealand Limited for the utilisation of tax losses for the 2010 tax year. Trade Me Limited paid Fairfax New Zealand Limited and Fairfax New Zealand Holdings Limited a combined total of \$9.4 million for utilisation of tax losses for the 2011 tax year.

### Restructure transactions

- The Company acquired Trade Me Limited from Fairfax New Zealand Holdings Limited via two intermediary holding companies for total consideration of \$1,235.7 million. Consideration of \$420.4 million was paid to Fairfax Digital Assets NZ Limited, and consideration of \$815.3 million was provided to Fairfax Digital Holdings NZ Limited comprising \$109.6 million cash and \$261.4 million shares at \$2.70 per share.
- All IPO costs were borne by Fairfax Media Limited.

Significant balances owing from/(due to) related parties at period end are as follows:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Fairfax Media Group Finance Pty Limited	–	892	–	–
Fairfax New Zealand Holdings Limited	–	(203)	–	–
Stayz Limited	–	7	–	–
Trade Me Limited	–	–	2,436	(3,789)

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

Group	Provision of services		Purchase of services	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Fairfax Media Group Finance Pty Limited	–	476	–	–
Fairfax New Zealand Limited	290	660	(80)	(184)
Stayz Limited	44	81	–	–
AutoBase Limited	–	2,702	–	–

Transactions with the Fairfax Media Group are only included until the date Fairfax ceased to be a shareholder of the group.

The provision of services to related parties were made at the Group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured, on normal trade terms and will be settled in cash. No guarantees have been given or received. No expense or provision has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Fairfax New Zealand Limited provided advertising services to the Group and the Group provided advertising services to Fairfax New Zealand Limited.

In the prior year, the Group received commission fees and dividends from AutoBase Limited.

The prior year transactions with AutoBase Limited exclude the purchase of assets and liabilities, and the proceeds from liquidation as referred to in note 13.

The Group provided licenses to Stayz Limited a subsidiary within the Fairfax group, for the use of the booking engine software "BookIt".

Key management personnel costs have been separately disclosed at note 20. Other than normal fees charged to management and staff for the use of online Trade Me services, there were no other transactions or balances outstanding for the year ended 30 June 2013.

All operating and administrative costs for the Company are borne by Trade Me Limited. The Company's interest costs and dividend payments are paid by Trade Me Limited. The liability for these payments is settled through the declaration of dividends from Trade Me Limited to the Company.

## 24 | Financial instruments

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### Capital management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while seeking a balance between maximising the return to shareholders in the long term and maintaining sufficient cash reserves to capitalise on investment opportunities.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves and retained earnings) of the Group.

The Group monitors capital on the basis of net debt to earnings before interest, tax, depreciation and amortisation.

Other than debt covenants (refer note 16) the Group is not subject to any externally imposed capital requirements.

### Financial risk management

The Group engages business in New Zealand and in the normal course of business is exposed to a variety of financial risk 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 BKBM plus a margin. The Group's treasury policy allows 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 \$60 million (2012: nil) of the principal outstanding and mature over a three year period.

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
0–1 years	20,000	–	20,000	–
1–2 years	20,000	–	20,000	–
2–3 years	20,000	–	20,000	–
	<b>60,000</b>	<b>–</b>	<b>60,000</b>	<b>–</b>

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

	2013 \$'000	2012 \$'000
Cash	48,857	39,135
Committed cash advance facility*	(166,000)	(166,000)
Loans receivable	1,210	–
Derivative financial instruments	54	–

\*The interest rate is re-set every 90 days.

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 2013 would decrease / increase by \$0.3 million (2012: \$0.8 million).

### Foreign currency risk

The Group has exposure to foreign currency risk from IT hardware purchases, technology support contracts that are billed in US dollars and other foreign domiciled service providers. The foreign currency risk arising from these transactions is not material.

### 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 2013	AA–and above \$'000	Not rated \$'000	Related party \$'000
Cash and cash equivalents*	48,857	–	–
Trade receivables	–	5,781	–
Loans receivable	–	1,210	–

30 June 2012	AA–and above \$'000	Not rated \$'000	Related party \$'000
Cash and cash equivalents*	39,135	–	–
Trade receivables	–	3,841	899

\*Cash and cash equivalents includes term deposits of \$35 million (2012: \$25 million).

The Group does not hold any credit derivatives to offset its credit risk exposure.

For bank 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 four banks.

The loans receivable 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 Group maintains sufficient cash and the availability of funding through undrawn facilities as part of its management of liquidity risk.

The following table details the Company and Group's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted cash flow 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
<b>2013</b>				
Trade and other payables	11,522	–	29	11,551
Borrowings	3,229	3,229	169,229	175,687
	<b>14,751</b>	<b>3,229</b>	<b>169,258</b>	<b>187,238</b>
<b>2012</b>				
Trade and other payables	9,649	–	80	9,729
Borrowings	3,294	3,294	175,881	182,469
	<b>12,943</b>	<b>3,294</b>	<b>175,961</b>	<b>192,198</b>

Company	Less than 6 Months \$'000	6–12 Months \$'000	1–3 Years \$'000	Total \$'000
<b>2013</b>				
Trade and other payables	420	–	–	420
Borrowings	3,229	3,229	169,229	175,687
	<b>3,649</b>	<b>3,229</b>	<b>169,229</b>	<b>176,107</b>
<b>2012</b>				
Trade and other payables	4,274	–	–	4,274
Borrowings	3,294	3,294	175,881	182,469
	<b>7,568</b>	<b>3,294</b>	<b>175,881</b>	<b>186,743</b>

## Fair values

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings is equivalent to the fair value of these assets and liabilities.

## 25 | Reconciliation of net profit to cash flow from operations

Group	2013 \$'000	2012 \$'000
<b>Net profit</b>	<b>78,596</b>	<b>75,592</b>
<b>Adjusted for non-cash and non-operating items:</b>		
Depreciation	2,787	2,453
Amortisation	5,948	2,712
Long term incentive expense	776	233
Amortisation of loan establishment fees	100	58
Doubtful debt expense	260	285
Interest classified as financing cash flow	7,085	–
Tax credit on supplementary dividend	5,390	–
(Profit)/loss on sale of property plant and equipment	(890)	2
Derivatives	(54)	–
Other	(182)	114
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in receivables	(2,210)	(1,511)
(Increase)/decrease in prepayments	(416)	177
(Increase)/decrease in accrued revenue	(1,841)	(106)
(Increase)/decrease in investment in associate	–	546
(Increase)/decrease in amounts due from related parties	899	18,029
(Increase)/decrease in deferred tax asset	(51)	(635)
(Decrease)/increase in trade payables	475	67
(Decrease)/increase in employee entitlements	(50)	298
(Decrease)/increase in GST	180	(79)
(Decrease)/increase in accrued liabilities	502	1,023
(Decrease)/increase in revenue in advance	54	116
(Decrease)/increase in prepaid commissions	–	(10,236)
(Decrease)/increase in related party payables	(203)	(9,309)
(Decrease)/increase in income tax payable	(1,991)	(7,364)
<b>Cash flow from operating activities</b>	<b>95,164</b>	<b>72,465</b>

## Company

The Company does not operate a bank account, and consequently all operating costs of the Company are paid by Trade Me Limited. The liability for these payments is settled through the declaration of dividends from Trade Me Limited to the Company. The cash proceeds raised in the prior year from the initial public offer and debt facility were not received by the Company and instead were paid directly to entities within the wider Fairfax Group. Accordingly, there are no transactions included in the statement of cash flows.

## 26 | Commitments

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### (a) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	2013 \$'000	2012 \$'000
Within one year	1,301	862
Later than one year but not later than five years	6,935	775
Later than five years	6,563	778
	<b>14,799</b>	<b>2,415</b>

### (b) Capital commitments

The Company and the Group has no capital commitments as at 30 June 2013 (2012: nil).

## 27 | Contingent liabilities

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The Company and the Group has no contingent liabilities as at 30 June 2013 (2012: nil).

## 28 | Events after the reporting period

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On 20 August 2013, the directors declared a dividend of \$32,894,000, which is not recorded as a liability in these financial statements.





## **Independent Auditor's Report**

### **To the Shareholders of Trade Me Group Limited**

#### **Report on the Financial Statements**

We have audited the financial statements of Trade Me Group Limited and its subsidiaries on pages 48 to 78, which comprise the statement of financial position of Trade Me Group Limited and the group as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. 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.

#### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Ernst & Young has provided other assurance related services to the group. We have no other relationship with, or interest in Trade Me Group Limited 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.

#### **Opinion**

In our opinion, the financial statements on pages 48 to 78:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of Trade Me Group Limited and the group as at 30 June 2013 and the financial performance and cash flows of the company and group for the year then ended.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by Trade Me Group Limited as far as appears from our examination of those records.

*Ernst & Young*

20 August 2013  
Wellington