

22 August 2018

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

Dear Sir/Madam

TRADE ME GROUP LIMITED (TME)

FULL YEAR RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Please find attached the following documents:

1. NZX Appendix 1 detailing results for announcement to the market for the year ended 30 June 2018;
2. Media release;
3. Annual Report for the year ended 30 June 2018, including audited financial statements;
4. NZX Appendix 7 detailing a final dividend to be paid on 18 September 2018, to shareholders on the register at 5pm on 7 September 2018;
5. NZX Appendix 7 detailing a special dividend with the same payment and record dates as above.
6. Confirmation of compliance with NZX Listing Rules.

We will file Appendix 3A.1 online.

An investor presentation is scheduled for 1.00pm. (NZ time) on 22 August 2018, and we will file the presentation slide deck immediately following this lodgement, as a separate document.

Yours faithfully



Sarah Hard
Company Secretary

Appendix 1

Trade Me Group Limited

Results for announcement to the market

Reporting period: 12 months to 30 June 2018
Previous reporting period: 12 months to 30 June 2017

| | Amount (NZ \$'000) | Percentage Change |
|---|--------------------|-------------------|
| Revenues from ordinary activities | 250,363 | Up 6.6% |
| Profit from ordinary activities after tax attributable to security holder | 96,567 | Up 2.3% |
| Net profit attributable to security holder | 96,567 | Up 2.3% |

| Dividend information | Amount per Security (cents) | Imputed Amount per Security (cents) |
|----------------------|-----------------------------|-------------------------------------|
| Final dividend | 10.50 | 4.0833 |
| Special dividend | 22.00 | 8.5556 |
| Record date | 7 September 2018 | |
| Payment date | 18 September 2018 | |

Commentary on results for the period

For commentary on the results please refer to the highlights and media announcement attached.

Financial Information

The appendix 1 should be read in conjunction with the consolidated financial statements for the year ended 30 June 2018 as attached.

Net tangible assets per security

| | 2018 (cents) | 2017 (cents) |
|--|--------------|--------------|
| Net tangible assets per security | -18.64 | -23.26 |
| Basic and diluted weighted average number of ordinary shares ('000s) | 396,981 | 397,304 |

Dividend reinvestment plan

Not applicable

Entities over which control has been gained or lost

Refer financial statements

Details of associates and joint ventures

Refer financial statements

Other significant information

Refer financial statements

Accounting Standards

Refer financial statements

Information on audit

Refer financial statements

22 August 2018

**TME F18 Results: Record revenue and profit, a special dividend
and a small investment in Sharesies**

Highlights:

- *Revenue of \$250.4m, up 6.6% YoY*
- *EBITDA of \$163.8m, up 6.2% YoY¹*
- *NPAT of \$96.6m, up 3.9% YoY¹*
- *Earnings per share for F18 up 2.4% YoY to 24.33 cents*
- *Fully imputed final dividend of 10.5 cps will be paid on 20 September (full year dividend of 19.6 cps)*
- *Special dividend of 22.0 cps will also be paid on 20 September*
- *Revenue, EBITDA and net profit growth in line with guidance*
- *Small investment in Wellington growth company Sharesies as part of our ecosystem strategy*
- *Classified businesses continue double-digit revenue growth*

Online marketplace and classified advertising business Trade Me Group Ltd (“Trade Me”) released its full year financial results for the 12 months to 30 June 2018 this morning.

Trade Me chairman David Kirk said F18 had seen another record result with net operating profit up 3.9 per cent on last year to \$96.6m, while operating EBITDA and revenue were up 6.2 and 6.6 per cent respectively.

“We’re proud to have delivered another record result for our investors. It’s great to see our Classifieds businesses continue to grow strongly this year, and it was pleasing to see solid growth in new goods in our General Items marketplace too.”

Trade Me CEO Jon Macdonald said Trade Me was operating in a competitive environment, but continued to deliver growth and good returns for investors. “We’re well placed to meet the challenges in front of us and continue to grow, and we see a lot of opportunity. We’re also pleased to deliver a result in line with what we forecast at the end of F17 and reiterated in March 2018.”

The numbers

Trade Me’s revenue reached a record \$250.4m in F18, up 6.6 per cent on \$234.9m in F17. In the second half of F18, revenue grew by 6.4 per cent year-on-year.

¹ Growth rates exclude F17 one-off non-operating items of \$1.4m

Earnings per share increased again to 24.33 cents, up from 23.76 cents last year and a fully imputed final dividend of 10.5 cents per share will be paid on 20 September 2018. In March 2018, Trade Me paid investors an interim dividend of 9.1 cents per share.

Mr Kirk said the board had decided to pay a special dividend of 22.0 cents per share in September too. “We regularly review our capital structure and have determined that the best use of \$100m of capital is to pay a special dividend to shareholders. We have consistently accumulated cash and reduced debt since we listed and are now in a position to make a distribution. After the distribution our gearing becomes similar to our Australian peers and we retain plenty of capacity to invest for growth.”

Total expense growth in F18 was 7.1 per cent year-on-year, up slightly on 5.7 per cent growth in F17, but well down on F16 and F15.

Performance by segment

Mr Macdonald said he was “delighted” to see double-digit growth from Trade Me’s classified businesses. “Trade Me Motors, Trade Me Property and Trade Me Jobs are still growing strongly, with combined revenue growth of 12.3 per cent year-on-year to \$141.0m. Their success was largely due to strong growth in depth revenue derived from features and premiums.”

Trade Me’s largest business, Trade Me Motors, was the star performer reporting a 12.7 per cent year-on-year increase and continues to be the market leader in the automotive category. “The Motors result was underpinned by a 41.0 per cent year-on-year revenue increase from dealer depth products.

“Our employment business, Trade Me Jobs, had another great year with revenue up 14.1 per cent year-on-year. The team have been doing a fantastic job, coupled with a strong New Zealand employment market. They’ve also released Job Profiles this year, aimed at giving recruiters access to passive job hunters.

“We will continue to grow Profiles in F19, and the early signs are very encouraging with over 100,000 profiles live now and good feedback from our recruiter clients.”

Trade Me Property reported revenue growth of 10.2 per cent year-on-year, in a tougher market and led by strong demand for depth products from ‘for sale’ real estate agencies which saw revenue up 38.2 per cent on F17.

“Softness in for sale listings remains a challenge but the Trade Me Property team have done a great job releasing a new Premium Listing depth product which gives agents and vendors greater visibility onsite.

“We expect to see this grow further in F19,” said Mr Macdonald.

He said it was pleasing to see revenue up 1.3 per cent year-on-year in the General Items marketplace. “The focus has been on making buying and selling as easy as possible. For example we released the ‘buy now, pay later’ payment product Afterpay to new goods sellers and buyers in September last year, and it’s now available on over three million listings onsite.

“Early in 2018 we also changed our success fee model for professional sellers to encourage free shipping. Meanwhile our used goods business is concentrating on promotions and smarter pricing to stimulate sales growth.”

In the Other segment, comprising Trade Me’s display advertising, travel, dating, insurance and payments businesses, revenue was down 2.3 per cent year-on-year, mostly due to the sale of some smaller interests at the end of 2017. There was good growth in payments, with revenue up 6.0 per cent year-on-year.

People

The number of staff at Trade Me has grown from 546 (514 FTEs) as at 30 June 2017 to 594 (561 FTEs) as at 30 June 2018.

“We’re proud to have our HQ in Wellington with the majority of our team based in the capital, but our Auckland office has approximately 150 people now. As we signalled last year, our Christchurch team has more than doubled to 28 people and will move into new premises in F19.”

There have been two changes to the Trade Me Executive team, with Chief Product and Technology Officer Mark Rees returning to Xero in mid-August, replaced by Simon Young. “Simon has been with Trade Me for seven years leading large product and development teams, and we’re rapt to be making a strong promotion from within the company. I know he’ll make an excellent addition to our Executive team.

“I’d also like to thank Mark for his contribution in the time he has been with us. Under his watch, we’ve seen great improvements in our data capabilities, product development and infrastructure.”

Mr Macdonald said the other change was his upcoming departure in December after 15 years with Trade Me. “I’ve spent over a decade as the CEO of Trade Me and I felt in June that it was time for me to pass the baton.

“It’s been a pleasure working with so many passionate and talented people. I’m very proud of the business we’ve built together. Trade Me has a long and bright future, with more to do than ever, and now is a good time for someone with fresh eyes and a full tank of gas to take over.”

Governance

There were no changes to the Trade Me board in F18, but Simon West was elected by shareholders at the Annual Shareholder Meeting in November 2017 and David Kirk and Joanna Perry were re-elected.

Investments and divestments

Mr Macdonald said Trade Me was always looking out for opportunities to invest in line with its vision to make life better for Kiwis through online experiences they love.

“We want to keep expanding our Kiwi ecosystem, and we’ll be pursuing opportunities to increase Trade Me’s stickiness and help us keep growing.

“In that spirit, we’re hugely excited today to announce a small investment in Wellington growth company Sharesies. We’ve got to know the team there over the last few months, and think they have enormous potential.

“We like their ambition of giving someone with \$5 the same investment opportunities as someone with \$500,000, and we think that making investing more consumer-friendly can do great things for New Zealand while opening up big revenue pools. This is also another step in us building out a vibrant New Zealand online ecosystem that ensures our growth in the long term.”

One opportunity that did not work out was a proposed acquisition of Christchurch-based dealer platform, Motorcentral. “We were disappointed the Commerce Commission declined our bid to acquire Motorcentral, with a prolonged ten-month process. However we’ve since signed a commercial agreement with Motorcentral and we’ll work closely with them to provide greater value to our dealer customers.”

Outlook

Mr Macdonald said Trade Me remained a “fantastic business” and that it had been “an honour” to have led the company for the past decade. “Thank you for the support you’ve shown and your faith in us. This company will thrive in the coming years.

“We are well-placed to execute on our strategic priorities - strengthening our core proposition, expanding our offer to extend our existing businesses, and growing a vibrant NZ online ecosystem.

“In F19 we expect total revenue growth of between 5 - 8% over F18. We also expect operating profit after tax to grow at a similar rate in percentage terms.”

These expectations are contingent on wider economic conditions, including employer and consumer sentiment, and real estate market volumes.

-ends-

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2018 Annual shareholder meeting of Trade Me Group

David Kirk will host shareholders at the Trade Me AGM on Thursday 8 November in Wellington.

The notice of meeting and agenda will be mailed to shareholders in early October 2018.

This report is dated 22 August 2018 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



2018 highlights:

5 five big things from F18



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Our customers are at the heart of what we do

Inside Trade Me, we have a value that states that customers are at the heart of what we do: it's called customer aroha. It's explicitly tied to our vision which is to make life better for Kiwis through online experiences they love.

Customer aroha means that our customers – the 800,000 Kiwis who visit Trade Me each day – are at the front of our minds. It means they're a part of our community and we're a part of theirs. It means we understand how they tick. And it means we deliver them things that are valuable, empowering and easy to use.

We know it is critical for us to know our customers and local market intimately, and be a better fit than any global player can.

Our CEO, Jon Macdonald, says this comes from a mixture of art and science: "The science is to use our rich data to uniquely tailor our offering to our consumers, and to provide those customers with personalised, friction-free experiences [...] The art

is us building relationships through strong account management and relationships with our trade customers (retailers, real estate agents, recruiters, car dealers and other advertisers) and through good customer support for our buyers using both people and technology."

We will never have bigger teams than our global competitors. We are focused on building the core functionality that Kiwis need, and making our customer experiences simple, engaging, trusted and enjoyable.

Throughout this report, you will see the faces of some of our customer heroes and if you visit our offices you will see them up on our walls and hear them being talked about relentlessly too. Because without our customers we are nothing.



Jargon buster

| | |
|-----------------------------|---|
| Aroha | Māori word meaning love or affection |
| Associates | Business organisations which we have significant influence on but they are not subsidiaries or joint ventures. We part own Harmony Corp Ltd and Allsorts Ltd |
| ASX | Australian Securities Exchange |
| Depth products | Formerly referred to as 'premiums', these are additional products our customers can purchase to better advertise their products, jobs, vehicles or houses |
| EBITDA | Probably the best accounting acronym, and means earnings before interest, tax, depreciation and amortisation |
| F17 | The financial year for the 12 months to 30 June 2017 |
| F18 | The financial year for the 12 months to 30 June 2018 |
| FTE | A full-time equivalent is a way to measure the workload of one person |
| GMS | Gross Merchandise Sales. The total value of items sold on Trade Me |
| 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 one-off gains in F17 |
| NPAT | Net Profit After Tax |
| NZX | New Zealand Stock Exchange |
| 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 |



Linda

"I had an operation which took six weeks to recover from and I was so bored – I didn't really know what to do with myself. Then I found Trade Me and my obsession began. Next thing I knew I was super busy."

Linda has become a self-confessed Trade Me addict. She started off finding items around the house to sell and it quickly turned into a hobby. Selling on Trade Me gave her purpose and passion at a tough time in her life – and you should see her smile when she talks about it!



Highlights





Great growth

- Revenue up 6.6% on F17 to \$250.4m
- Operating EBITDA up 6.2% to \$163.8m
- Net operating profit up 3.9% to \$96.6m
- Earnings per share of 24.33 cents
- Dividend of 9.1c per share paid in March and 10.5c per share will be paid in September
- Special dividend of 22.0c per share will also be paid in September

Chairman David Kirk said Trade Me's result provided a 'new record' with impressive revenue and profit growth.

Our classified businesses continue to grow and we see strong upside in our General Items marketplace.

Trade Me CEO Jon Macdonald said F18 had been another great year for Trade Me: "We've delivered revenue and profit growth to our investors while building a stronger team and business for the long term."

Expense growth in F18 was 7.1 per cent year-on-year, up from 5.7 per cent last year. However this is significantly lower than the 17.8 and 25.5 per cent growth from F16 and F15 respectively.

We held our first investor day in May 2018 to outline the opportunities ahead of us. We have a clear strategy to capitalise on our strengths and deliver continued growth.



Another excellent year for classifieds trio

- Classifieds' revenue up 12.3% on F17 to \$141.0m
- Focus on value-add benefits and depth products

Our three classified businesses across real estate, employment and motoring continue to enjoy great success with double-digit revenue increases.

Trade Me Motors had another good year with revenue up 12.7 per cent year-on-year and continues to be the market leader in the automotive category. Depth (formerly known as premium) revenue continued to grow, in particular for dealer depth products, up 41.0 per cent on F17.

We were very disappointed when the Commerce Commission declined our bid to acquire Christchurch-based dealer platform, Motorcentral. Trade Me Motors has signed a commercial agreement with Motorcentral and we'll work closely with them to provide greater value to dealers.

Trade Me Jobs continues to perform very strongly with revenue increasing 14.1 per cent year-on-year, driven by a 34.3 per cent increase in the sale of depth products. The team also released a profiles product this year, aimed at giving recruiters access to passive job hunters.

Trade Me Property reported a revenue increase of 10.2 per cent year-on-year. Revenue from depth products for our 'for sale' real estate agent customers was up 38.2 per cent year-on-year. The team also released a new 'Premium listing' depth product to agents this year, aimed at providing vendors and agents with better branding and advertising. This has performed very well in its early stages and we expect to see even greater uptake in F19.



Challenging but successful year for Marketplace

- Release of buy now, pay later product Afterpay
- Changes to success fee model for our professional sellers to encourage cheaper shipping
- Increased promotions and offers in our used goods business
- Revenue up 1.3% on F17 to \$71.3m

F18 was a challenging but successful year for our General Items marketplace. We were pleased to post revenue growth of 1.3 per cent year-on-year.

Our competitive landscape is more challenging than ever, but we are well placed to continue growing. In September 2017 we rolled out Afterpay a 'buy now, pay later' payment product for new goods sellers and buyers. Buyers can purchase an item immediately and pay it off in four instalments – sellers receive their payment upfront. Afterpay is available on approximately three million Trade Me listings.

In February, we made changes to our success fee model for professional retailers to increase the number of items onsite with free or low cost shipping. Shipping costs have been identified as a pain point for buyers and we want to minimise surprises at check-out.

Promotions and smarter pricing are a key part of our strategy for our used goods team. We ran our first success fee-free weekend in October for casual sellers and we have developed tools to provide different and agile pricing to various customer groups which we will continue to experiment with in F19.



Brand and people

- Jon Macdonald stepping down as CEO
- Awarded the inaugural Privacy Trust Mark
- Named one of New Zealand’s most loved and most influential brands

F18 has been a big year for both our people and our brand. In June, Trade Me CEO Jon Macdonald announced his intention to step down in December 2018. Jon has spent nearly 15 years at Trade Me and over a decade as CEO.

In F18, the number of people at Trade Me has grown from 546 (514 FTEs) in June 2017 to 594 (561 FTEs) as at 30 June 2018. Our Christchurch office has expanded from 11 to 28 people and will move into new premises early in F19.

Our brand continues to be highly regarded. In July, research company Ipsos named Trade Me as the eighth most influential brand in New Zealand, alongside Google, Samsung and Air New Zealand. Then in September 2017, Colmar Brunton named Trade Me as Kiwis’ sixth most loved brand.

The Office of the Privacy Commissioner recognised our work too, awarding us one of their inaugural Privacy Trust Marks for our annual transparency report work.



Always innovating

- Our credit card payment system Ping is available to all members
- Mobile users can now access the new-look Trade Me
- We're exploring the use of artificial intelligence to make it faster to list an item
- Small investment in Wellington growth company Sharesies as part of our ecosystem strategy

We've released and refined a number of new products in F18 to make our customers' lives better on Trade Me.

In June 2018, our new payment system, Ping, was released to all members. Ping allows all members to take instant payments and to spend with Ping onsite. It removes the need to wait for bank payments to clear and speeds up sales.

We're experimenting with artificial intelligence (AI) to speed up the listing process. We've built an Android app called Pinhole. This allows members to take a photo of what they want to sell then Pinhole's AI understands what the item is, suggests the best category and a title, plus recommends a price.

We'll be experimenting further with AI in F19 to create better and faster buying and selling experiences for our customers.

We've also announced a small investment in Wellington growth company, Sharesies. We think making investing more consumer-friendly can do great things for New Zealand consumers while opening up big revenue pools. This is also another step in us building out a vibrant New Zealand online ecosystem.

The year in review

2017

July



26 July Transparency Report

We released our fifth Transparency Report which details the information requests we get from the New Zealand Police and government agencies every year. We do this because we believe our members have a right to know how and when their data is being shared.

September



4 September Firearms database

Buying firearms on Trade Me is now even safer. We have the ability to verify firearms licences entered on Trade Me via the Police national firearms database.

6 September Launch of Afterpay

Following the announcement of our partnership in May 2017 we rolled out Afterpay, a 'buy now, pay later' payment option which allows Trade Me sellers to offer interest-free instalment payments to their buyers.

12 September Most loved brands

Colmar Brunton revealed New Zealand's Most Loved Brands and we were rapt to be named sixth.

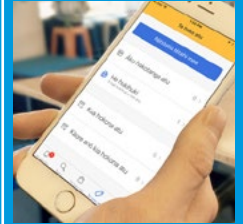
October



27 October Project Santa

Project Santa was an unlimited free shipping subscription experiment which we ran in the lead up to Christmas. Eligible members got unlimited free shipping across 1.3m new goods for \$9 a month.

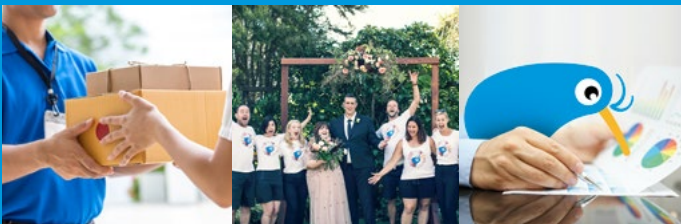
November



7 November Māori Language Awards

To celebrate Māori Language Week in September, our iOS app learnt its first te reo words and we were stoked to be named as a finalist in the National Māori Language Awards. Members with Māori as their preferred language on iOS will now see te reo Māori in our app.

February



12 February More free shipping

We made some changes to our success fee model for professional retailers that aims to increase the number of items offering free shipping.

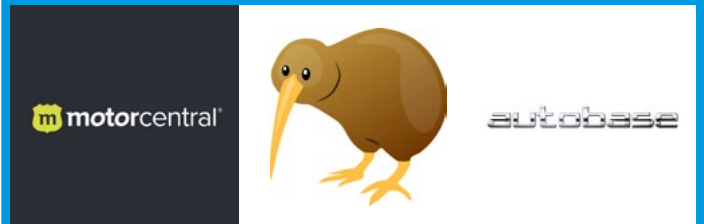
14 February The Trade Me Wedding

We decided to throw two deserving Christchurch members, Darren and Angela, a wedding in February. Almost everything for the big day was sourced on Trade Me.

28 February HY results

We announced that TME revenue was up 6.8% year-on-year to \$122.7m with strong growth from Trade Me Motors.

March



9 March Motorcentral declined

In July we announced our intention to acquire Christchurch-based Motorcentral. The Commerce Commission declined this in March.

28 March The kiwi emoji

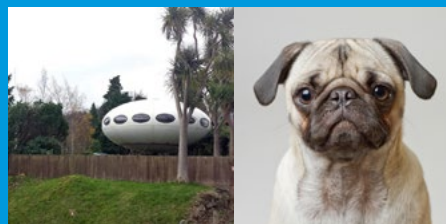
Our flightless bird is an icon of our country, so as a proud kiwi company we decided to lobby the Unicode Consortium for it to be added to the emoji keyboard.

28 March Autobase closure

Autobase was switched off in March allowing us to focus resources on DealerBase.

2018

January



3 January Property listings of 2017

A spaceship in Otago, The Block NZ houses and a concrete water tower in Lake Alice were among the most viewed Trade Me Property listings of 2017.

17 January Banning dog breeds

We banned the sale of British bulldogs, French bulldogs and Pugs onsite because they suffer severely from Brachycephalic Obstructive Airway Syndrome which negatively impacts their quality of life.

December



24 December Trade Me Elves

After thousands of nominations, we shared the Christmas spirit and handpicked 100 gifts for a bunch of deserving Kiwis.

28 December Trade Me listings of 2017

The most popular Trade Me listings of 2017 included a retro McDonald's playground set, a 2.4m Helen Clark portrait and Ed Sheeran's drawing of 'Super Ginge'.



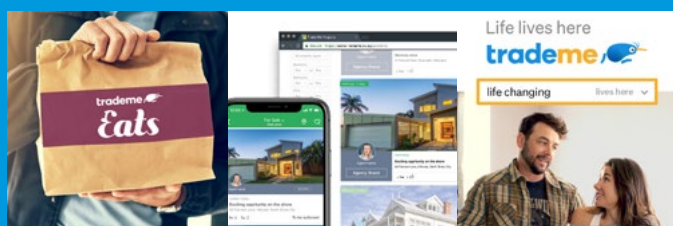
9 November AGM

Held at Te Papa in Wellington, David Kirk and Joanna Perry were re-elected to the board, and Simon West was elected as a director.

27 November Job Profiles available to all

Job hunters can now create their own Job Profile to showcase their skills and experience to recruiters and employers.

April



1 April Trade Me Eats launched

On April Fool's Day, we said that we were launching Trade Me Eats, a member-to-member food delivery service.

14 April Premium Listings

We launched a Trade Me Property product called Premium Listings. This gives real estate agents and vendors greater visibility onsite.

22 April Our new brand campaign

The next chapter in our *Life Lives Here* brand campaign shows that at every life moment, no matter how big or small, Trade Me will be there.

May



28 May Jacinda Ardern's to-do list

Prime Minister Jacinda Ardern's to-do list was sold to raise money for Parent to Parent. The listing had 25,000 views and raised \$2,500 for the cause.

June



6 June Updating our privacy policy

We announced our new privacy policy to help us provide better online experiences and create an even safer data environment for our members.

26 June Jon steps down

Jon Macdonald announced that he will be stepping down from his role as CEO at the end of the year. Jon has been with Trade Me since 2003 and has been CEO for more than a decade.





Chairman's report

Dear shareholders,

The net operating profit of Trade Me in F18 was \$96.6m, a new record for the company and 3.9 per cent ahead of last year. Revenue increased by 6.6 per cent on the previous year.

At Trade Me there are two major operating segments: our classified businesses and the general items marketplace. Our classifieds businesses are Trade Me Property, Trade Me Motors and Trade Me Jobs and our Trade Me Marketplace business is comprised of a trading venue for used goods and for new goods.

All of these businesses operate on the same technology platform and can be accessed via the same app, mobile site or website, but to understand Trade Me's performance in F18 and likely performance in the future, it is necessary to look at the five segments – the three classifieds, used and new goods separately.

Trade Me CEO Jon Macdonald discusses each segment later in this Annual Report, but I want to emphasise the important trends we see in each of them.

Our Classified businesses continue to grow strongly. All three verticals delivered double-digit revenue growth in F18. All of these businesses have some exposure to general market conditions, but are also the continuing beneficiaries of growth in digital classified advertising at the expense of print and other forms. We expect continued strong growth from the Classified group for years to come.

Our used goods marketplace is now mature. We have largely the same number of unique buyers and listers as last year but they are buying fewer used items, and more new. There are many reasons for this, including attractive pricing of new goods by sellers, a decline in the popularity of the auction model and some new competitors. We are working hard to continue to grow our used goods marketplace, but expect growth to remain slow. We may even see some small decline in the revenue from this part of the business in the future.

Our new goods marketplace continues to grow revenue at solid single-digit percentages, but we think we can do better. The team are working hard to improve the buying experience, to bolster additional services such as payments, logistics and credit options and working more closely with retailers on promotion plans. We think there is good upside in our new goods marketplace business if we continue to innovate and improve the experience. We will maintain a close watch on the return on this investment in those initiatives.

Our Classified businesses continue to grow strongly. All three verticals delivered double-digit revenue growth in F18.

We achieve very high profit margins and cashflow from all of our businesses.

In addition to our final dividend of 10.5 cents per share, the board had decided to pay a special dividend of 22.0 cents per share in September too. We regularly review our capital structure and have determined that the best use of \$100m of capital is to pay a special dividend to shareholders. We have consistently accumulated cash and reduced debt since we listed and are now in a position to make a distribution. After the distribution our gearing becomes similar to our Australian peers and we retain plenty of capacity to invest for growth.



You will know that late in the year Jon Macdonald, our long-standing CEO, announced his resignation. Jon was one of the first handful of employees at Trade Me back in 2003, and he has been CEO of the company since 2008. Jon took on the role of CEO two years after the company was sold to Fairfax Media for NZ\$750 million. Your company is now worth around NZ\$1.9 billion. Not many CEOs preside over a growth in value of NZ\$1.2 billion during their tenure. Jon can feel very proud of his contribution to this company.

I thank Jon very much on your behalf for the wonderful job he has done over a long period of time and wish him all the very best in his next endeavours. Jon is not leaving until the end of the 2018 calendar year, which gives us good time to search for and find his replacement, and to say goodbye to him at the annual shareholder meeting.

I thank my fellow directors very much for their diligence and insight as Trade Me continues to grow and adapt in a changing environment.

I thank Jon very much on your behalf for the wonderful job he has done over a long period of time and wish him all the very best in his next endeavours.

Our meeting is again in Wellington, and this year will be held on Thursday 8 November. My fellow directors and I look forward to seeing you there.

Yours sincerely,

David Kirk
Chairman
Trade Me Group Limited



Hayden

“The thing I love about Trade Me, is that it’s a safe platform for sellers to list, and for buyers to get good cars. Trade Me is genuinely fair, and everyone has a great experience.”

Hayden works in the used car industry alongside his Dad at their family business, Genuine Vehicle Imports. His partnership with Trade Me has allowed him to become the biggest seller of electric vehicles in New Zealand and has listed well over 3,000 cars to date.

Anne

“Trade Me may be ‘just’ a sales platform, but the reality is that you’re so much more than that. Trade Me staff are fabulous – always friendly and helpful, and the message boards are a great place to pass the time with fellow traders, many of whom are faceless despite having been ‘friends’ for many years. Trade Me is a unique site for a unique country!”

For Anne, Trade Me is so much more than being a Top Seller. She’s built up friendships over the years with like-minded traders, and her catalogue of weird and wonderful goods have delighted over 17,000 members. From ‘blue llama earrings’ to a ‘wolf head door knocker’, you’d be hard pressed to find anything boring in her selection.



Neville

“My focus and interest was always in fruit-bearing trees, which is why I sell these the most – it’s never going to work when you handle something you don’t like! I meet a lot of people with common interests and that’s started a lot of friendships.”

Neville has been selling rare fruiting and seeding plants on Trade Me since we launched in 1999. Neville is known for his sensational customer service and extensive knowledge, and his infectious passion has started countless friendships.

Michelle

“I actually don’t know that many people who get up every morning super excited about their work, but I do.”

Michelle lives and breathes Lego. She’s always buying and selling it on Trade Me, and has a store that specialises in Lego minifigures. Michelle is super passionate about supporting charities and donates a lot of her profits to various local charities.







CEO's report

Dear fellow shareholder,

Thank you for your support as an investor in Trade Me.

The year to 30 June 2018 has been another great year for Trade Me. We're very pleased to deliver another strong result to our shareholders, in line with our guidance to you over the year.

We operate in a competitive environment but we are stronger than ever and well placed to keep growing. Additionally, as signalled at our interim announcement in February, our revenue, operating EBITDA and net profit all increased year-on-year.

The numbers

In F18, Trade Me's revenue continued to grow strongly to a new record of \$250.4m, up 6.6 per cent on F17's \$234.9m. In the second half of F18, revenue grew by 6.4 per cent year-on-year.

Expenses grew by 7.1 per cent. Our Operating EBITDA for F18 was \$163.8m, and up 6.2 per cent year-on-year. Trade Me's net operating profit after tax was up 3.9 per cent year-on-year to \$96.6m, comfortably ahead of last year's net operating profit of \$93.0m (which in turn was up 12 per cent on F16). We expect net operating profit growth to continue in the financial year ahead.

Earnings per share for F18 was 24.33 cents, up from 23.76 cents a year ago. A fully imputed final dividend of 10.5 cents per share will be paid on 20 September 2018. This follows on from the fully imputed interim dividend of 9.1 cents per share paid on 20 March 2018. We'll also pay a special dividend of 22.0 cents per share on 20 September.

Operating performance

The **Classifieds** continued to grow and enjoy success. Overall revenue across the three businesses was up 12.3 per cent year-on-year to \$141.0m, ahead of the 11.3 per cent growth achieved in F17. We're focused on improving the value of our depth products to customers (our depth products mainly help our customers to promote their own brands and their inventory).

Trade Me Motors had another fantastic year. Our largest classified business continues to be the market leader with a revenue increase of 12.7 per cent year-on-year (up on F17's 8.2 per cent). Strong dealer depth product revenue growth has continued in F18, up 41.0 per cent year-on-year.

Trade Me Jobs continues to perform very strongly with revenue increasing by 14.1 per cent year-on-year. The team has been doing a superb job, and continue to focus on delivering benefits for customers. The revenue increase was driven by a 34.3 per cent increase in depth product sales.

We also released Job Profiles in November 2017, with the aim of providing recruiters with a database of passive job hunters to approach with relevant roles. So far we have over 100,000 profiles and counting, and in F19 we'll continue to grow the database and improve the experience for recruiters.



Trade Me Property reported revenue growth of 10.2 per cent year-on-year. 'For sale' listing volumes continue to be challenging, in a tight property market. Revenue from depth products sold to 'for sale' agency clients was up 38.2 per cent year-on-year, helped by the launch of our new Premium listing product. Premium listings provide better branding and visuals for both agents and vendors and we expect to see even greater uptake from agents in F19.

We're pleased to see continued growth in our **General Items** marketplace business. Revenue was up 1.3 per cent year-on-year, following on from revenue growth of 7.1 per cent between F16 and F17.

In F18 we continued to focus on making the buying and selling process faster and easier. We introduced Afterpay for our new goods segment in September 2017, allowing sellers to offer interest-free instalment payments to buyers. Buyers get their goods immediately (and sellers are paid immediately) and then pay the item off in four instalments. Afterpay is now available on approximately three million new items on Trade Me.

In February 2018, we changed our success fee structure for professional sellers to encourage more low-cost shipping. Buyers have told us the cost of shipping is their biggest purchase barrier so we want to make shipping costs more transparent and generate more sales.

Our used goods team has been working on more promotions and flexible pricing tools to stimulate sales. We held our first success fee free weekend in October and we've been targeting different customer groups with a variety of offers to stimulate activity since then.

In the **Other** category comprising our advertising, dating, insurance and payments businesses, revenue was down 2.3 per cent year-on-year. This decline is largely due to the divestment of our travel businesses at the end of 2017. We saw revenue in our Payments business (comprising Paystation and Pay Now) increase by 6.0 per cent year-on-year.

Investments and divestments

We've continued to look for opportunities to invest and divest in line with our vision to make life better for Kiwis through online experiences they love. We want to keep expanding our Kiwi ecosystem as we believe there is a collective strength in a whole of Trade Me offering that is greater than the sum of the parts. We'll be pursuing opportunities in F19 to increase Trade Me's 'stickiness' and help with continued growth.

In that spirit, we're excited to announce a small investment in Wellington growth company Sharesies. We've got to know the team there over the last few months, and think they have enormous potential.

We like their ambition of giving someone with \$5 the same investment opportunities as someone with \$500,000, and we think that making investing more consumer-friendly can do great things for New Zealand while opening up big revenue pools. This is also another step in us building out a vibrant New Zealand online ecosystem that ensures our growth in the long term.

In July 2017, we announced our intention to acquire the cloud-based automotive dealer management platform, Motorcentral. After ten long months we

received the Commerce Commission's full decision, declining the transaction. We've chosen not to appeal, and have since signed commercial agreements with Motorcentral and we will work together to increase the value we provide to motor dealer customers.

Brand

We are proud of our strong, trusted, well-known and much-loved brand. Trade Me was named the eighth most influential brand in New Zealand by Ipsos in July 2017 and the sixth most trusted New Zealand brand by Colmar Brunton in September 2017.

We were honoured to receive one of the inaugural Privacy Trust Marks from the Office of the Privacy Commissioner. This was for our work in transparency reporting, an annual publication where we tell our members how their data is requested by Government agencies.

People

The number of staff at Trade Me has grown from 546 (514 FTEs) as at 30 June 2017 to 594 (561 FTEs) as at 30 June 2018. The majority of staff are still based in our Wellington headquarters, but we have more than 150 people in Auckland and have expanded our Christchurch office considerably over the last year from 11 to 28 people. We will be moving into new Christchurch premises in F19.

There are two changes to our Executive team coming up in the first half of F19. Our Chief Product and Technology Officer, Mark Rees, returned to Xero in August. I'd like to thank Mark for his contribution in the time he has been with us. Under his watch, we've seen great improvements in our product development and infrastructure.

Simon Young will step into Mark's place. Simon has been at Trade Me for seven years in a variety of roles, most recently as our Head of Product Development.

The other change is my impending departure after 15 years with Trade Me, and over a decade as CEO. Back in June, I announced my intention to leave by Christmas 2018.

I'll have the opportunity to reminisce, as well as properly acknowledge the great support I've had over my long tenure, at the Annual Shareholder Meeting.

It has been a privilege to work with so many passionate and talented people. I'm very proud of the business we've built together and all that we've accomplished. Trade Me has a long and bright future, with more to do than ever, and it's a good time to pass the baton to someone with fresh eyes and a full tank of gas.

Trade Me has a long and bright future, with more to do than ever, and it's a good time to pass the baton to someone with fresh eyes and a full tank of gas.

I'd like to thank the board and the team for all their help and support, and I'll be leaving the business in good hands. I'll be leaving with a lot of fond memories, and great affection for the people here.

Outlook

Trade Me is a fantastic business, which will thrive in the coming years. I'd like to thank you, our shareholders, for the faith you've shown in us.

We are well-placed to execute on our strategic priorities – strengthening our core proposition, expanding our offer to extend our existing businesses, and growing a vibrant New Zealand online ecosystem.

In F19 we expect total revenue growth of between 5–8% over F18. We also expect operating profit after tax to grow at a similar rate in percentage terms.

These expectations are contingent on wider economic conditions, including employer and consumer sentiment, and real estate market volumes.



Jon Macdonald

CEO
Trade Me Group Limited



Executive team profiles

Stuart McLean

Head of Marketplace, Advertising & Payments

Stuart joined Trade Me in February 2015. 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 Bachelor's degree in computer studies & microsystems from Abertay University.

Annie Brown

Chief People Officer

Annie joined Trade Me in June 2017 and is a specialist in organisational change, culture, innovative leadership, performance frameworks and talent succession.

Prior to joining Trade Me Annie was the Director of People & Communications at Bank of New Zealand and the bank's Head of Engagement before that. She has held roles with ACC and NZ Post and ran her own HR consultancy.

Annie started her career as an occupational therapist and has a postgraduate qualification in strategic human resource management from Victoria University.

Nigel Jeffries

Head of 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 was a director for 10 years of ASX-listed BigAir Group (now Superloop), Australia's largest fixed wireless broadband company.

Nigel has a Bachelor's degree in Business Studies from Massey University.

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.

Jon has a Bachelor of Engineering (Honours, first class) from the University of Canterbury.

In May 2013, Jon joined NZX as a Director. He also serves on the Human Resources, Conflicts, Nominations and Regulatory Governance committees.

Jon announced in June that he will be stepping down in December 2018.



Alan Clark
Head of Motors

Alan joined Trade Me in January 2015 as the Head of Strategy until becoming Head of Motors in January 2017.

Prior to joining Trade Me, Alan held senior roles at Vodafone New Zealand and The Boston Consulting Group (both in New Zealand and the US).

Alan has a PhD, Bachelor of Engineering (Honours, first class) and Bachelor of Arts degrees from the University of Canterbury.

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, strategy and legal teams.

Caroline was previously CFO of Formica Asia (a subsidiary of Fletcher Building) in China, was 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.

Mark Rees
Chief Product and Technology Officer

Mark joined Trade Me in August 2017 and is a specialist in technology, product development and making the best use of data.

Prior to joining Trade Me, Mark was the General Manager of Product at New Zealand based accounting software firm Xero in Wellington and worked at Microsoft NZ.

Mark left the company in August 2018. He has been replaced by Simon Young. Simon has been at Trade Me for over seven years and has worked in several roles, most recently as our Head of Product Development. Before Trade Me, Simon was IT Director for Inventis, a Corporate Communications agency in London.

Jeremy Wade
Head of Jobs

Jeremy joined Trade Me in May 2013, and managed a variety of projects before becoming Head of Jobs in June 2016.

Before joining Trade Me, Jeremy was the CEO of Global Group, a specialist international candidate marketing and local recruitment firm based in Wellington.

Jeremy has a Bachelor of Commerce and Bachelor of Arts from Victoria University of Wellington and is a Chartered Accountant.

Trent Mankelov
Chief Customer Officer

Trent joined Trade Me in November 2014, and is responsible for the customer team, which includes Customer Service, User Experience, Trust & Safety, Marketing and Communications.

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 Bachelor's degree in Computer Science (Honours, first class) from Waikato University.



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 great 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 customers.

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 customers.

Our values

We've identified four values which do a great job of summing up what's important to us as a company.

1. Customer aroha

Our customers are at the heart of what we do. They're part of our community and we're part of theirs. We understand how they tick. We deliver them things that are valuable, empowering and easy to use.

2. Hunger like Ed Hillary

Like Sir Ed, we're ambitious but humble. We deliver. We love learning and we relish taking on challenges. We take risks, and we're not afraid to learn from failure.

3. There's no 'I' in Trade Me

There is collective strength in the diverse strands of what we do. We get a kick out of achieving things together. We're united, but not afraid to challenge each other.

4. Don't be a dick

We're straight up, transparent and we do the right thing. We cherish individuality and treat people with respect. And we maintain a healthy sense of humour.

Directors' report

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Director profiles



David Kirk

Independent chairman

NON-EXECUTIVE AGE 57
Appointed October 2011

David is the co-founder and managing partner of Bailador Investment Management, chairman of Kathmandu Holdings, a director of Forsyth Barr Limited and a director of a range of Bailador's investee companies. He is also chairman of Sydney Festival Limited.

David was the CEO of Fairfax Media from 2005 to 2008. In 2006 he successfully negotiated Fairfax's purchase of Trade Me Limited from its founders, a very large and high-profile purchase. David's association with Trade Me ended when he left Fairfax in 2008, but started afresh at the time of the company's IPO in late 2011, when he was asked to chair the board.

Before his role at Fairfax, David was CEO of PMP Limited, Regional President (Australasia) for Norske Skog, and held senior executive roles at Fletcher Challenge in New Zealand and Australia. 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, a Master of Arts (Philosophy, Politics and Economics) from Oxford University and is a Rhodes Scholar.

He lives mostly in Sydney, Australia, but spends some time in rural Hawke's Bay.

Joanna Perry

Independent director

NON-EXECUTIVE AGE 61
Appointed October 2011

Joanna has extensive governance experience. She chairs the IFRS Advisory Council and is a director of Genesis Energy, Partners Life, Regional Facilities Auckland and Oyster Property Group.

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 Chartered Accountants Australia and New Zealand. 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 AGE 50
Appointed November 2012

Paul is the co-founder and CEO of Data Republic (www.datapublic.com), a business focused on secure data collaboration. He is also co-founder of the data for social good charity, Minerva Collective.

Paul was one of the founders of search marketing agency Decide Interactive and digital marketing company Life Event Media (acquired by directory business Sensis in 2011).

He is a non-executive director of Cirrus Media, and was previously a non-executive director of iiNet.

Paul lives in Sydney, Australia.



Katrina Johnson

Independent director
NON-EXECUTIVE AGE 42
Appointed June 2016

Katrina has considerable experience in technology businesses, particularly in legal and regulatory matters affecting 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 is Associate General Counsel and Head of APAC Legal for technology company Uber.

Katrina has a Bachelor of Arts, Bachelor of Laws (Honours) from Macquarie University and a graduate diploma in Legal Practice from the College of Law, New South Wales.

She lives in Sydney, Australia.



Simon West

Independent director
NON-EXECUTIVE AGE 44
Appointed December 2016

Simon has extensive experience in retail and technology businesses, and is currently the executive director of Max Fashions.

He has previously held CEO roles at clothing retailer EziBuy and the Australian ecommerce website DealsDirect.com.au, and is a director of Onceit, a fashion flash sale site.

He holds a Bachelor of Management Studies, majoring in strategic management, from the University of Waikato.

Simon lives in Auckland, New Zealand.

Corporate Governance

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
- External Audit Independence Policy
- Code of Conduct
- Diversity Policy
- Securities Trading Policy
- Market Disclosure Policy
- Risk Management Policy

Corporate Governance Statement

Trade Me Group Limited is a New Zealand company. The shares are quoted on the New Zealand and Australian Stock Exchanges. It has been a foreign exempt listed issuer on ASX since December 2016.

Though we are not required to specifically report against the majority of the ASX Listing Rules or the ASX Corporate Governance Council's Governance Principles and Recommendations, they are relevant guidance. We report against the Principles and Recommendations in the NZX Corporate Governance Code 2017 (the NZX Code).

This statement is current to 30 June 2018, and has been approved by the directors.

Principle 1

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

Trade Me's directors and management are committed to ensuring that our people act ethically, with integrity, in accordance with our values and the policies we have developed.

Code of Conduct

Trade Me has a Code of Conduct, setting 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, and references the values in its decision-making.

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 HR; or alternatively to a mailbox accessible only by the Chair of the Audit & Risk Management Committee.

Avoiding conflicts of interest

We are conscious that we must avoid conflicts of interest between our duties to Trade Me and our own interests. We review the interests register kept by the Company Secretary at each board meeting, and discuss the appropriate way to manage any potential or perceived conflict as it arises. A copy of the directors' interests register is found on page 48.

Trading in securities

We're restricted as directors from trading in Trade Me shares under New Zealand law and by Trade Me's financial product dealing policy (referred to as the Securities Trading Policy). That policy details "blackout periods" where trading by directors and designated senior employees is forbidden, as well as a process for authorisation at other times.

Our interests and those of shareholders should be aligned, so 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 49.

Principle 2

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

and

Principle 3

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

Board composition

Trade Me can have between three and ten directors on the board. There are five directors at present, all independent, and no executive directors. Each director has signed a written agreement with the Company.

The directors are David Kirk (chairman), Katrina Johnson, Paul McCarney, Joanna Perry and Simon West.

Our directors' profiles, ages and the dates of our appointment as directors, are on pages 30 and 31.

Our directors have expertise and experience in strategy development and implementation, executive leadership, business acquisition and divestment, venture capital, technology, data, corporate responsibility, governance, legal and regulatory matters, public policy, and finance (including the assessment of financial controls).

We believe our respective skills and experience to be complementary, appropriate for the Company, balanced and reasonably diverse.

We formally consider the board's composition each year at our annual performance review (more on performance reviews later in this section).

We have had two women directors, out of a board of five, since the Company's IPO in 2011. Directors range in age from 42 to 61, and range in their tenure as Trade Me directors from 1.5 years to 6.5 years.

One-third of the directors retire by rotation annually in accordance with the NZX Listing Rules.

As a matter of board policy Trade Me directors have a term of six years from the date of appointment or election. After six years, the director must offer to resign and the board may support his or her re-election for a further term of up to three years.

In November 2017 under that policy the board supported David Kirk and Joanna Perry standing for re-election, both having then been directors for six years, and they were re-elected by shareholders at the Annual Meeting. We acknowledge though that the company can benefit from new views, so we are actively discussing succession planning.

Independence

The board Charter requires that at least two directors be independent, and sets out in detail what relationship will prevent a director from being considered independent. We assess director independence as a board. All Trade Me's directors are currently independent.

Board Committees

During the F18 year Trade Me's standing board committees were:

- Audit & Risk Management committee
- Human Resources & Compensation committee

Audit & Risk Management committee:

Joanna Perry (chair), David Kirk, Katrina Johnson.

All independent directors.

In accordance with the NZX Code the Audit & Risk Management Committee is chaired by an independent director, who is not the Chair of the board. Joanna Perry is a professional director, a Fellow of Chartered Accountants Australia and New Zealand and Chair of the IFRS Advisory Council.

The committee's Charter is set out on the investor relations website. We evaluate the performance of the committee against its Charter annually.

Trade Me management attend Audit & Risk Management committee meetings at the invitation of the committee. The committee meets regularly with the external auditors with management excluded.

Human Resources & Compensation committee:

David Kirk (chair), Paul McCarney, Joanna Perry, Simon West.

All independent directors.

This committee has oversight of health and safety systems and processes at Trade Me, in addition to matters of recruitment, retention and remuneration. Its Charter is on the investor relations website.

Because the committee meetings are on the same day as the Board meeting, and four of the five directors are members of the committee, in practice many HR & Compensation matters are considered by the full board rather than being confined to the committee.

Other committee matters

The board is small, and all directors have been engaged to date in decisions about prospective new directors, so we no longer have a Nominations committee. We make appropriate pre-appointment checks on the background and suitability of all directors. We're conscious of the need for diversity of thought and engage external consultants to help with director search, to identify a broad range of candidates for any vacancies which arise on the board.

From time to time we 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.

We have put in place a set of takeover protocols, which would apply in the event we received notice of a takeover offer. That includes the establishment of a committee of independent directors to oversee the offer, take specialist advice and ensure compliance with all the company's obligations under the Takeovers Code or under a scheme of arrangement.

Board and Committee meetings

Between 1 July 2017 and 30 June 2018 we held 10 board meetings (8 in person and 2 by audio conference). Committee meetings are held on the same day as Board meetings wherever possible, to minimise travel. Details of attendance are set out below.

Attendance

| Director | Board 10 meetings | Audit & Risk Management Committee 6 meetings | HR & Compensation Committee 1 meeting* |
|-----------------|----------------------|---|--|
| David Kirk | 10 | 6 | 1 |
| Katrina Johnson | 9 + 1 in part | 6 | – |
| Paul McCarney | 9 + 1 in part | – | 1 |
| Joanna Perry | 9 + 1 in part | 6 | 1 |
| Simon West | 10 | – | 1 |

*The full board considered a number of matters which would usually be dealt with by the HR & Compensation Committee.

Role of the board

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

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

We delegate the leadership and management of the Company to the CEO. The delegations are contained in the board Charter and in a Delegated Authority framework, in which we have detailed the authority levels for types of commitments that the Company's management can make.

Diversity Policy

Trade Me aims to foster an inclusive working environment that promotes employment equity and workforce diversity at all levels, including within the board.

Technology companies have historically tended to employ more men than women, particularly as developers and in infrastructure roles. To address that imbalance Trade Me's diversity targets to date have been gender-focussed, which was a deliberate decision to maintain attention on the issue and to get measurable results. We have not ignored other issues of diversity – culture, ethnicity, and accessibility in particular – but initiatives have been less formal and largely employee-driven to date, because the company's diversity work is still centred on gender.

We reset gender targets in November 2017 to be 50/50 men and women, at all levels of the organisation (noting that there are also employees who are gender diverse). We acknowledged that it was likely to take more than one year to reach this target, but we are confident that it can be achieved. We set no specific timeline for achievement, however greater diversity and inclusion is a priority under Trade Me's overarching objective of improving organisational effectiveness.

When we reset the gender targets we asked that Trade Me continue to support employee-led diversity initiatives, with a focus on gender, but that management also remain open to exploring other diversity measures.

The breakdown of employees and the board by gender in F18 is set out below.

| | F18 Women/ Wahine | F18 Men/ Tāne | Gender diverse/ Ira tāngata | F18 Total | F18 % women | F17 Women | F17 Men | F17 Total | F17 % women |
|--|-------------------------|---------------------|--------------------------------------|--------------|----------------|--------------|------------|--------------|----------------|
| Board | 2 | 3 | – | 5 | 40% | 2 | 3 | 5 | 40% |
| Executive (“officers” for this table) | 2 | 7 | – | 9 | 22% | 3 | 6 | 9 | 33% |
| Senior Management* | 22 | 25 | – | 47 | 47% | 15 | 22 | 37 | 40% |
| Exec and SM together | 24 | 32 | – | 56 | 43% | 18 | 28 | 46 | 39% |
| All employees and board | 243 | 355 | 1 | 599 | 41% | 218 | 330 | 548 | 39% |

*Senior Management is defined as direct reports to the Executive.

We have made good progress this year at all levels other than at the Executive level. Particularly pleasing is the increased percentage of women in the Senior Management group, who are direct reports to Executive, up from 40% to 47%. This is a key group for movement into Executive roles over time.

We’ve reported the gender split in recruitment for different kinds of roles in our last three Annual Reports, noting that rates tended to differ for internal employee movements versus external hires.

In the year to 30 June 2018 there was no material gender discrepancy between the employees we hired from outside Trade Me and those who moved internally in the business. There was a decrease in the percentage of women hired for technology roles overall but we still attribute that to the greater number of men with tertiary technology qualifications in the job market.

We have now signed up to NZTalent, an initiative by businesses which recognise that the skills we are looking for in prospective employees can now be developed through a range of pathways. Traditional tertiary education is one of many pathways to employment. Internships, apprenticeships, new micro-credentials, on the job training, online courses and badging are all effective ways to learn.

Trade Me has confirmed that for a range of specific, skilled-based roles, we will not require tertiary qualifications. These may be roles in technology, sales, marketing, customer service, management, and operations to name a few. We hope this recruitment policy will attract a more diverse workforce with wide-ranging experience. Trade Me Jobs has also supported NZTalent by developing an indicator on jobs where no tertiary qualification is required for an application.

| Type of recruitment in F18 | Women/Wahine | | Men/Tāne | | Gender diverse/ Ira tāngata | | Total |
|-----------------------------------|--------------|------------|------------|------------|--------------------------------|-------------|------------|
| Tech Hires | 19 | 22% | 66 | 77% | 1 | 1% | 86 |
| Tech Hires (internal) | 2 | 22% | 6 | 67% | 1 | 11% | 9 |
| Non Tech Hires | 77 | 60% | 51 | 40% | 0 | 0% | 128 |
| Non Tech Hires (internal) | 10 | 59% | 7 | 41% | 0 | 0% | 17 |
| Customer Support Hires | 14 | 58% | 10 | 42% | 0 | 0% | 24 |
| Customer Support Hires (internal) | 2 | 67% | 1 | 33% | 0 | 0% | 3 |
| Non Tech/Non CS Hire | 63 | 61% | 41 | 39% | 0 | 0% | 104 |
| Non Tech/Non CS Hires (internal) | 8 | 57% | 6 | 43% | 0 | 0% | 14 |
| Total Placements | 96 | 45% | 117 | 55% | 1 | 0.5% | 214 |
| Total External Placements | 84 | 45% | 104 | 55% | 0 | 0% | 188 |
| Total Internal Placements | 12 | 46% | 13 | 50% | 1 | 4% | 26 |

The company has continued to use an initial screening and selection tool for Customer Support roles that tests applicants online before their CVs are viewed. When headhunting for hard to fill roles, the Recruitment Team proactively map the market for female talent. We've maintained and embedded staff training around unconscious bias.

Trade Me management has worked hard to encourage New Zealand girls and women to consider STEM (science, technology, engineering and maths) subjects at school and in tertiary qualifications to develop the pool of women technologists for the future. We've partnered with GirlBoss founder Alexia Hilbertidou to create the GirlBoss Awards – we talk about this on page 43.

Pay equity

Trade Me management undertook a significant remuneration benchmarking project in the F18 year. Before changes were effected (from 1 July 2018) we identified an average 3% pay equity gap. The adjustments that arose from the benchmarking should significantly close that gap, and we will review again in the current financial year to ensure there is no discrepancy between pay for women and men in the same roles.

Director training

We each undertake appropriate education to stay current in our duties as directors and in technologies and market developments that may affect Trade Me. We maintain membership of relevant bodies and receive information from management and external consultants on specific issues relevant to Trade Me or to listed companies generally.

Board performance

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

Generally, we annually review how the board is performing as a group. The most recent review was undertaken over the period September to December 2017. Our review process to date has comprised individual interviews between directors and the chairman, with directors and the executive team also completing an evaluation questionnaire relating to board and committee composition and performance. Responses are anonymised, reported back to directors and discussed at a board meeting.

The review process has led to more regular strategy discussions, improvement in our process for evaluating acquisition opportunities, and revisions to the format of the board papers. We are a small board and to date haven't engaged an external facilitator for a performance review – but intend to do so in the current year.

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 overall 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 its Charter). The committee makes enquiries of management and external auditors (including requiring management representations) so 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 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 over a number of years to ensure clarity and readability in its financial statements, while continuing to maintain all the requirements of the financial reporting standards.

Non-financial reporting

We haven't adopted a formal environmental, social and governance (ESG) reporting framework at this time, although we have been considering which of the more commonly-used frameworks may be most suitable for the company.

Our assessment of exposure to material ESG risks is woven into the Comprehensive and Key Risk assessments that we refer to under Principle 6.

Disclosure to the market

We have a Market Disclosure Policy, found on our investor relations site. It sets out requirements for 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 did not need to make an urgent announcement in F18, 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 the timely release of information to NZX (and then to the ASX, as Trade Me is listed as foreign exempt on the ASX).

We also specifically discuss 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 includes the Company's presentations, reports, announcements, and media releases, as well as the Charters and guidelines referred to in this section. That specifically includes the presentation material and video recording of the Company's 2018 Investor Day, held in Auckland in May 2018, where Trade Me's strategy was outlined and executives were introduced to discuss their business units.

Our annual shareholder meeting will be held in November 2018 in Wellington. A Notice of Meeting will be sent well in advance.

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.

Directors (other than the Chairman of the board) receive fees for membership of each committee.

Directors fees for the year to 30 June 2018:

| Director | Base fee | Audit & Risk Management committee fee | HR & Compensation committee fee | Total |
|-----------------------|------------|---------------------------------------|---------------------------------|-----------|
| David Kirk (Chairman) | \$215,000* | \$0* | \$0 (Chair)* | \$215,000 |
| Katrina Johnson | \$95,000 | \$10,000 | | \$105,000 |
| Joanna Perry | \$95,000 | \$25,000 (Chair) | \$10,000 | \$130,000 |
| Paul McCarney | \$95,000 | | \$10,000 | \$105,000 |
| Simon West | \$95,000 | | \$10,000 | \$105,000 |

* Fee includes all committee responsibilities including Chair of HR & Compensation committee.

The last increase in directors' fees was made with effect from 1 July 2016. We are considering fees at present.

No retirement fees have been paid by Trade Me to directors at any time.

Employee Remuneration

Trade Me aims to have a remuneration framework and policies to attract and retain talented and motivated people. In the year to 30 June 2018 we undertook a significant piece of work around Trade Me's culture, leadership and key capabilities to improve organisational effectiveness. Part of that work was the development of a new reward and recognition structure, which is expected to properly motivate and retain good people in the company. It will be in place from 1 July 2018.

Trade Me employee remuneration

We benchmarked roles in F18 against market data to determine competitive salary and total remuneration levels for all staff, but guidance for hiring managers allows for variation from the median for individual performance, experience, scarcity of skills, internal relativities and specific business needs.

All employees at Trade Me have fixed remuneration plus the potential to earn a Short Term Incentive (STI). Senior employees may also be invited to participate in the Long Term Incentive (LTI) scheme described below.

We expect this year to combine the STI and LTI components for senior employees into a single scheme, One Incentive Plan.

CEO remuneration

Jon Macdonald's employment agreement for his role as CEO commenced on 26 February 2008. His agreement reflects appropriate standard conditions for a chief executive of a listed company. The Human Resources & Compensation committee considers his remuneration annually, after reviewing Trade Me's performance.

Jon's remuneration is a combination of fixed salary, KiwiSaver and incentive arrangements. He is currently allocated restricted shares under the Long Term Incentive scheme (LTI) to a value of 45% of his fixed annual remuneration. The performance measures applicable to those LTI shares are the same as for other LTI participants, and are detailed in the "Description of CEO's STI, LTI schemes" table below.

CEO remuneration for the year to 30 June 2018:

| Base salary | Taxable benefits | STI | LTI Restricted shares issued October 2014 and vested October 2017 | Total |
|-------------|------------------|-------------|---|-------------|
| \$763,000 | \$121,551* | \$292,374** | \$89,359 25,405 shares @\$3.52*** | \$1,266,284 |

*Settlement of tax liability for 2017 vested LTI shares + KiwiSaver employer contributions + dividends on all LTI shares.

** STI for the year to 30 June 2018 has not yet been determined. This is STI paid in F17 for the F17 performance year.

*** 20 day Volume Weighted Average market price at date of issue.

Description of CEO's STI, LTI schemes for performance period ending 30 June 2017

(STI and LTI payments for F17 were paid in F18)

| Scheme | Description | Performance measures | Percentage awarded |
|--------|---|--|---|
| STI | Set at 30% of base for on-target performance and up to 45% of base for the highest levels of achievement. | 70% on Company performance (EBITDA) 30% on personal targets | 39.5% of base |
| LTI | Vesting of restricted shares issued in October 2014 to a value equivalent to 45% of 2014 base, divided into two equal tranches. | Tranche 1: Relative TSR performance against NZX50 with 50% available at 50th percentile and 100% available at 75th percentile; Tranche 2: Compound annual growth rate of earnings per share with 50% available at 8% and 100% available at 12%. | 61.1% of Tranche 1 0% of Tranche 2 [so overall 30.55% of shares vested] |

Grants of LTI restricted shares made but not yet vested

CEO Jon Macdonald had 215,300 restricted shares in the LTI Scheme at 30 June 2018. He has announced his resignation and his employment is expected to end in December 2018, so a maximum of 81,075 of those shares will vest and become unrestricted (in October 2018) and the balance will be cancelled. Vesting of up to 81,075 shares is dependent on the company meeting its performance hurdles for the prior three year period.

Other executive remuneration

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

Employee performance reviews are undertaken in a comprehensive process at quarterly intervals. Managers evaluate performance with the assistance of feedback from peers, direct reports and other reviewers.

The CEO reviews each executive's performance – most recently in July 2018 – against specific objectives set the previous year.

Short Term Incentive (STI) plan

All STI payments, not just at executive level, have had a component dependent on the EBITDA performance of the Company and an element attributable to the achievement of specific team or individual objectives.

STI allocation varies depending on the seniority and role of employees. In general:

| | STI % of fixed annual remuneration, at target | Percentage of STI attributable to company's EBITDA performance | Percentage of 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 |

There has been some variation for employees in business development, account management and revenue generating roles, where there is generally additional at risk remuneration related to agreed revenue targets.

Payment is made in late August after finalisation of the Company's results for the previous financial year.

Long Term Incentive (LTI) scheme

We have given a great deal of consideration to the LTI scheme, which we expect to replace with a new scheme shortly.

The current scheme was established in 2012 and applied for the year ended 30 June 2018.

Under it, the board makes offers of shares to senior employees and establishes the performance-based hurdles for the vesting of the shares. A wholly-owned subsidiary (TMG Trustee Limited) acts as trustee to administer the LTI Scheme.

The scheme is a "loan and bonus" type. Shares have been issued annually since October 2012. They are issued to TMG Trustee at the 20-day volume weighted average market price for Trade Me shares on NZX. The trustee holds the shares for each beneficial holder, until performance hurdles are tested, usually three years from issue date. The performance hurdles are separate measures of the Company's Total Shareholder Return and its earnings per share over three years from issue date.

While 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 not met for a round of shares, or the beneficial holders leave Trade Me employment before the shares become unrestricted, the applicable shares are forfeited and cancelled.

The shares issued in October 2014 were tested against the performance hurdles in October 2017, resulting in 30.55% of the total shares in that round vesting and becoming unrestricted:

| Performance hurdle, LTI round 3 | Achieved | LTI Shares vested | LTI Shares cancelled |
|---|----------|-------------------|----------------------|
| Tranche 1: Relative TSR performance against NZX50, with 50% available at 50th percentile and 100% available at 75th percentile. | 61.1% | 88,796 | 56,535 |
| Tranche 2: Compound annual growth rate of earnings per share with 50% available at 8% and 100% available at 12%. | 0% | 0 | 145,331 |

The LTI shares on issue (all of which are still restricted) at 30 June 2018 were:

| Round | Issue date | Hurdle date | Number of shares | Number of holders |
|-------|------------------|-------------------|------------------|-------------------|
| LTI 4 | 19 November 2015 | 30 September 2018 | 316,034 | 37 |
| LTI 5 | 18 October 2016 | 30 September 2019 | 261,101 | 45 |
| LTI 6 | 15 November 2017 | 30 September 2020 | 359,275 | 45 |

Note, we expect to replacing the current STI and LTI schemes from October 2018 with a single scheme – One Incentive Plan.

Principle 6

Risk management: Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

We have a Risk Management Policy which expresses our risk appetite. We regularly review key risks and under our policy we review structures and processes for risk management, reporting and monitoring.

The board:

- approves the policy and the risk management framework (the latter on the recommendation of the Audit & Risk Management committee);
- sets the risk attitude;
- considers relevant key risks and controls on those risks in any transaction or venture brought to the board; and
- discusses strategic risks as an integral part of its deliberations at each meeting.

We are also provided with specific and detailed presentations from management in particular risk areas, on a regular basis.

The Audit & Risk Management committee:

- keeps the risk management framework under review, and the process for identification, management, monitoring and review of risks and;
- considers and reviews the key non-strategic risks and the controls on them, at six-monthly intervals.

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, and undertakes specific quality review projects – the scope of which are approved in advance by the Audit & Risk Management committee.

Non-financial risk management

The business faces few non-financial or ESG risks that are material to it – in the sense that they are not anticipated to have an immediate or foreseeable impact on earnings, an impact on the company's balance sheet, or an impact on the sustainability of operations.

However there are still ESG elements that we consider are important and relevant to report:

- Privacy and data security risks
- Labour management factors
- Community contribution
- GHG emissions (scope 1 and 2) and energy consumption.

Trade Me is fundamentally a venue and maintains a high degree of neutrality on the products and services offered on its sites, which means our measurement and reporting is confined to Trade Me as a corporate. While the original premise of the Trade Me site was giving used goods an extended life, we have not attempted to quantify either the positive or negative environmental effects of the products and services on Trade Me sites. We know our Marketplace provides an important venue for sale and purchase of goods

that are not at the end of their lives, but that is only one part of our business, and it is our customers who are choosing to buy or sell (and therefore to recycle) goods, on Trade Me.

Privacy and data security issues

Trade Me is dependent on the technology systems, servers, networks, hardware and software, including cloud services, that it has in place. The systems could be vulnerable to unauthorised access, viruses, human error, natural disasters, communications failure, sabotage or terrorism. To defend against those risks we have implemented extensive security measures, disaster recovery, systems redundancy, and backup procedures.

Reputational issues around the care and treatment of customers' personal data are important to Trade Me and we have developed a set of principles in relation to customer data:

- We will respect customer privacy – our brand is built on trust and integrity.
- We're committed to being transparent and honest, so customers know what we do with their personal information (including if something goes wrong).
- We use personal information to add value to customers' lives.
- We avoid getting involved in anything creepy that could breach customer trust.

Policies and practices relating to collection, usage, and retention of customers' information and personally identifiable information

Trade Me's privacy policies, posted on all Trade Me sites, were consolidated in June 2018 into one policy explaining, in straightforward language, how customers' personal information and data generated by their use is collected, used, and disclosed by the Company, its subsidiaries, and trusted third parties. Management discussed that policy, and the communication of it, in detail with the Office of the Privacy Commissioner in New Zealand before implementation.

The policy provides an opt out for members, covering data for relevant advertisements; the sharing of tailored personal information between Trade Me and trusted third parties; and sharing data with named entities either fully owned or part-owned by Trade Me. The opt out can be applied at any time by members who don't want their data shared, and is simply managed through their privacy options. Those who have used other Trade Me-owned sites but aren't Trade Me members are opted out automatically (because they don't have an account to manage their privacy options). Inactive members and members who have previously opted out of customised advertising are also opted out. Information can be shared amongst the Trade Me Group, but certain sensitive information such as card payment information or dating profile data is not shared at all.

As at 30 June 2018, 9.15% of members had opted out of data sharing. Of those, half had opted out before the change to our policy.

We encrypt databases that contain personal information, with very limited staff access rights based on roles/requirements, and tokenise data and fields that are particularly sensitive personal information (which may for example be a requirement for Payment Card Industry compliance).

There are controls on the sharing of Trade Me member data outside Trade Me. Our usual process is that where we do allow another system access (e.g. the marketing engine for email marketing), information is shared via API in a secure hashed form with a private key arrangement.

A Data Governance Council, comprising Trade Me's key Legal, Analytics and Trust & Safety staff, is in place to ensure that our privacy principles are upheld and processes for sharing data are customer-centric and robust.

Trade Me has a dedicated Privacy Operations Officer who is responsible for ongoing staff privacy training and to handle requests for information under the Privacy Act (NZ).

Government and law enforcement requests for customer information

Buying and selling on Trade Me is restricted to members located in New Zealand and Australia, except where a member has been specifically accepted as an 'international' seller by Trade Me. Sellers based in Australia must have a New Zealand bank account, and may not sell vehicles or property located in Australia.

The Company regularly receives requests from New Zealand government agencies and the Police for user data in support of law enforcement activities and from insurers. We publish a Transparency Report annually which sets out the number and types of those access requests.

In the period year to 30 June 2018, 1,795 requests were made by government agencies. Of those, 22 were rejected by Trade Me as too broad or disclosing no relevant reason for the request.

The New Zealand Privacy Commissioner awarded Trade Me one of two inaugural Privacy Trust Marks in New Zealand, in 2018. The award recognises excellence in privacy-friendly products or services and in this instance acknowledged the work of the Company in its transparency reporting.

As we have customers from New Zealand and Australia, we are not subject to government-required monitoring, blocking, content filtering, or censoring. We have no reason to believe there is a risk to Trade Me of any government blocking or limiting access to Trade Me's sites.

Data security breaches

There have been no data breaches caused by vulnerability or security breach in F18.

There were 38 occasions in the year where personal information was inadvertently disclosed, but none were to more than one person, and none reached the threshold of possibly resulting in harm. The affected individuals were informed in each instance.

Despite our precautions and significant ongoing investments to protect against security risks, cyber-attacks and other intentional disruptions of our products and offerings, we may be the target of attacks specifically designed to impede the performance of our products.

Similarly, third parties may attempt to penetrate our network security or the security of our sites and misappropriate proprietary information. Techniques used change rapidly and we may be unable to anticipate them. The theft or unauthorised use or publication of personal information and confidential business information as a result of such an event could adversely affect our competitive position, and reputation, particularly if customers are affected. Our business could be subject to disruption, and we could suffer monetary and other losses and reputational harm, in the event of such incidents.

The Company continues to evaluate and implement enhancements in security technology and practices.

Labour management factors

In F18 we prioritised culture as part of our strategy.

Trade Me employs close to 600 people in a range of roles. Those roles include technical product and application development, design, sales and account management; commercial roles in evaluating business performance and potential acquisitions, as well as customer support and trust & safety staff who respond to a range of questions about member accounts and listings. Trade Me is strictly an online venue – we don't have any warehousing or fulfilment operations.

In F18 we focussed on improving organisational effectiveness, which included the development of a new pay framework which was easier for leaders to administer, a streamlined performance review process, and fresh consideration by the board of the short term and long term incentive plans. Trade Me concentrated on creating a set of new leadership development programmes geared towards an employee's role, competencies and likely career progression, and an information hub with resources and tools accessible to leaders as they review performance and remuneration, and set objectives. The premise is that supporting and coaching leaders enhances efficiency and productivity in their teams, and the leaders grow in skills.

In addition to the in-house programmes we continued to encourage participation in subject-matter training in person and online. For that purpose we allocate a percentage of the overall remuneration budget to training in each business unit, and hold a central budget for conference attendees and one-off training.

We've historically had a high level of engagement by all employees, which we measured in the annual IBM Kenexa Best Workplaces survey. We have been a finalist in our category for six consecutive years through F17. In F18 we decided to move from an annual engagement survey to a new tool for measuring engagement, which when rolled out will take the employee engagement pulse at least monthly.

Our turnover of staff in F18 was 20.62% (of a total number of employees over the year of 737). This equates to an average tenure of five years.

The current turnover rate is within the average range for peers, and also reflects the competition in our employment markets at present.

Health and safety risk

Trade Me is a relatively low-risk, office-based business – its most common risk is trips or falls in the office or during work team sports. Lost-time injury in the business has historically been a very rare occurrence. We're conscious though that stress may affect some employees and we provide access to a free, entirely confidential counselling service outside Trade Me.

The Human Resources & Compensation committee is responsible for reviewing, monitoring and making recommendations to the board on Trade Me's health and safety risk management generally. The committee ensures that the systems used to identify and manage health and safety risks are fit for purpose, are being effectively implemented, regularly reviewed and improved. The employee Health and Safety committee has reported to each board meeting on any incident or issue, and on the Company's ongoing actions to minimise health and safety risk.

The frequency of incidents has been very low so the HR & Compensation Committee has not required LTIFR or TRIFR reporting to date.

In the year to 30 June 2018, the company recorded 20 work-related accidents, of which only two required any time off work.

Community

We believe sponsorship and philanthropy is part of being a good Kiwi company. 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.

We support organisations or events that align with our vision and values, sync up with the demographics and mindset of our community, are quintessentially Kiwi, and that can be leveraged across multiple parts of the company.

A key strength when we work with charities and other organisations is using the Trade Me platform to help not-for-profits reach a wide audience and generate buzz and fundraising money.

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

In F18, we waived more than \$107,000 in success fees for charities and provided almost eight million ad impressions to deserving organisations pro bono. Trade Me Jobs also provided charities with a 33 per cent discount on 4,925 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. We also work closely to support actual feathered kiwis through national charity Kiwis for kiwi, 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 charities in F18.

We also support One Percent Collective (OPC) as a business partner. This organisation takes the hassle out of regular charitable giving by distributing donations amongst their six partner charities. Donors choose the amount and frequency of their donations to any or all of these charities. We support OPC by promoting their great work.

In F18, we teamed up with Alexia Hilbertidou from GirlBoss to launch the inaugural GirlBoss Awards. The purpose of the awards is to empower and celebrate the trailblazing young Kiwi girls (aged 11–18) who are driving change in science, technology, engineering and mathematics ('STEM') and in their communities. The GirlBoss Award winners will be announced in September 2018.

Trade Me also supports a multitude of other events and causes, and we are biased towards things where the overall equation is better than just writing a cheque. In F18 these included Wellington Zoo, DevMob, St John's Ambulance, Pink Shirt Day, Kaibosh, The Special Children's Christmas Party, Kiwi Foo, Startup Weekend, Wellington Free Ambulance,

Movember, Product Tank, Code Camp, Workchoice Day, Webstock, NetHui, nz.js(con) and Summer of Tech.

In F18 we were also involved in many community-related activities aside from sponsorship and promotion. For example we provide free, public WiFi along the Wellington waterfront.

We led a campaign aiming to have a kiwi added to the keyboards of emoji users around the world – this is a work in progress.

We were rapt to be nominated for a National Māori Language Award, after rebranding Trade Me as Tauhoko for a week and introducing te reo into some parts of our iOS app.

We were also proud to see Trade Me become a Shielded Site. The shield is an online initiative that allows victims of domestic abuse to get information and help without any trace showing in their search history.

In February we created a special celebration by shouting a wedding for a very deserving couple in Canterbury, with almost everything sourced via Trade Me or our Trade Me team.

GHG emissions and energy consumption

As a corporate entity, Trade Me has relatively low environmental impacts. We are not a carbon-intensive or energy-intensive business.

The majority of our impact arises from energy consumption in our offices and our data centres, and emissions from travel. As employee numbers have grown, our offices 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 maintain communication with key customers. We control travel requests to ensure we use video conferencing effectively rather than travelling, and overseas travel is very limited. As a technology business, we use very low amounts of paper and toner, we have been working with our landlords and energy consultants to improve the efficiency of our office power consumption, and we produce very little waste.

We do not expect to face significant increased costs if there are changes to carbon pricing or regulatory caps on emissions. In the medium term we may see reduced for sale inventory in Trade Me Motors as shared transport solutions begin to replace private vehicles, but we also have opportunities for the development of our business in relation to shared transport and renewable energy.

We have previously reported our greenhouse gas emissions by calendar year. We have now aligned our reporting with the financial year, and Ernst & Young prepared a GHG Emissions Profile for the period. Each year we buy carbon credits to fully offset carbon emissions.

Our total GHG inventory for the F18 year was 629 tonnes CO₂-e (split 407 tCO₂-e to travel, vehicles and landfill waste; and 222 tCO₂-e to power consumption).

Principle 7

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

We have 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 follow to maintain a framework for audit independence. We're 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 confirmation of independence formally from the auditor.

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 F18 a specialist group in the audit firm undertook measurement of our Greenhouse Gas emissions, approved by the Audit & Risk Management Committee at a cost of \$12,000.

Our policy requires the rotation of the senior audit partner and review partner at least every five years, and we are fully compliant.

Principle 8

Shareholder rights and relations: The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Our investor relations website is the key place for Trade Me's financial and operational information, and its important corporate governance documents. It's updated immediately on any announcement being made to the market.

In May 2018 Trade Me had its first investor event in New Zealand – this was intended to provide investors, particularly those with large holdings, with the opportunity to meet with CEO, CFO and other executives, to hear more on the company's strategy and the performance of its business units. The presentation material was made available to the market contemporaneously and a video of the presentations was put on the Company's investor relations site shortly afterward.

We keep shareholders informed through periodic reporting to NZX and ASX, through in person meetings and through our continuous disclosure. We also make a range of releases to media on Trade Me matters which we believe will interest shareholders, our members and the public.

We have so far held the Annual Meeting in Wellington, which is the company's base, with all directors and the executive team present. We have had physical rather than virtual Annual Meetings to date, recognising that for some shareholders this is the best opportunity to engage personally with the board, but in November 2018 we expect to hold a hybrid meeting so that shareholders who are unable to be present in person can participate online.

Disclosures

Shareholder information

As at 30 June 2018, the total number of shares on issue was 397,076,790 ordinary shares.

Twenty largest shareholders as at 30 June 2018

| Rank | Investor Name | Total Units | % Issued Capital |
|------|---|-------------|------------------|
| 1 | New Zealand Central Securities Depository Limited* | 119,062,907 | 29.98 |
| 2 | HSBC Custody Nominees (Australia) Limited | 80,470,277 | 20.27 |
| 3 | J P Morgan Nominees Australia Limited | 57,993,305 | 14.61 |
| 4 | National Nominees Limited | 28,500,490 | 7.18 |
| 5 | Citicorp Nominees Pty Limited | 26,049,426 | 6.56 |
| 6 | Bnp Paribas Nominees Pty Ltd | 9,875,048 | 2.49 |
| 7 | Citicorp Nominees Pty Limited | 9,671,536 | 2.44 |
| 8 | UBS Nominees Pty Ltd | 7,921,532 | 1.99 |
| 9 | Bnp Paribas Noms Pty Ltd | 6,276,607 | 1.58 |
| 10 | New Zealand Depository Nominee Limited | 3,524,010 | 0.89 |
| 11 | Pt Booster Investments Nominees Limited | 1,358,015 | 0.34 |
| 12 | Custodial Services Limited | 1,192,655 | 0.30 |
| 13 | Powerwrap Limited | 986,884 | 0.25 |
| 14 | Tmg Trustee Limited | 879,753 | 0.22 |
| 15 | Investment Custodial Services Limited | 861,199 | 0.22 |
| 16 | JBWERE (Nz) Nominees Limited | 742,728 | 0.19 |
| 17 | Custodial Services Limited | 646,365 | 0.16 |
| 18 | UBS Nominees Pty Ltd | 516,759 | 0.13 |
| 19 | Custodial Services Limited | 506,507 | 0.13 |
| 20 | Bnp Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp | 476,726 | 0.12 |

*New Zealand Central Securities Depository provides a custodial depository service which allows electronic trading of securities by its members.

Distribution of ordinary shares and registered shareholders as at 30 June 2018

There is no current share buy-back taking place.

| Shareholder range | No. of holders | No. of shares | % issued capital |
|----------------------|----------------|--------------------|------------------|
| 1–1,000 | 2,872 | 1,718,033 | 0.43 |
| 1,001–5,000 | 4,558 | 11,762,919 | 2.96 |
| 5,001–10,000 | 1,063 | 7,945,674 | 2.00 |
| 10,001–50,000 | 548 | 10,142,262 | 2.55 |
| 50,001–100,000 | 29 | 1,992,001 | 0.50 |
| Greater than 100,000 | 47 | 363,515,901 | 91.55 |
| Total | 9,117 | 397,076,790 | |

Substantial product holders

As at 30 June 2018, Trade Me had received notice that the following were substantial product holders in accordance with section 293 of the Financial Markets Conduct Act 2013.

| | Date of last disclosure notice before 30 June 2018 | Relevant interest in number of shares | % held as at the date of notice |
|---|--|---------------------------------------|---------------------------------|
| Commonwealth Bank of Australia | 29 January 2018 | 36,263,354 | 9.13% |
| Pinnacle Investment Management Group/Pinnacle Investment Management Limited (inc. Hyperion Investment Management) | 9 March 2018 | 47,583,295 | 11.86% |
| Schroder Investment Management Australia Limited | 4 October 2017 | 21,666,179 | 5.46% |

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% or 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 and Overseas Investment Regulations 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 2017 to 30 June 2018 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.

Donations

The Company made donations totalling \$4,000 during the year to 30 June 2018.

Company Secretary

Trade Me's Company Secretary is Sarah Hard.

Director and employee remuneration

Employee remuneration

There were 208 Trade Me employees (or former employees) who received remuneration and other benefits in excess of \$100,000 in their capacity as employees in F18, as set out in the table below.

This includes salary, KiwiSaver contributions, STI payments, and the fair value of LTI shares at 30 June 2018. It also includes any settlement payments and payments in lieu of notice upon departure from the Company.

| Salary band (\$) | Number |
|------------------|------------|
| 1.2m–1.3m | 1 |
| 530,000–540,000 | 1 |
| 470,000–480,000 | 1 |
| 450,000–460,000 | 1 |
| 380,000–390,000 | 2 |
| 360,000–370,000 | 1 |
| 350,000–360,000 | 1 |
| 330,000–340,000 | 2 |
| 270,000–280,000 | 2 |
| 260,000–270,000 | 1 |
| 250,000–260,000 | 1 |
| 220,000–230,000 | 4 |
| 210,000–220,000 | 3 |
| 200,000–210,000 | 1 |
| 190,000–200,000 | 5 |
| 180,000–190,000 | 3 |
| 170,000–180,000 | 4 |
| 160,000–170,000 | 3 |
| 150,000–160,000 | 13 |
| 140,000–150,000 | 15 |
| 130,000–140,000 | 22 |
| 120,000–130,000 | 27 |
| 110,000–120,000 | 32 |
| 100,000–110,000 | 51 |
| Total | 208 |

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 2018. 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 |
| Docscorp Pty Limited* | Director |
| Forsyth Barr Limited | Director |
| Instaclustr Pty Limited* | Alternate director |
| Kathmandu Holdings Limited | Chairman |
| NZ Performance Horses Limited | Director/shareholder |
| Online Ventures Pty Limited (trading as SiteMinder)* | Director/shareholder (ceased October 2017) |
| Rezdy Pty Limited* | Director |
| SMI Holding Company Pty Limited* | Director/shareholder |
| Sydney Festival Limited | Chairman |
| Viocorp International Pty Limited* | Director/shareholder |

(*Companies in which Bailador has invested)

Katrina Johnson

| | |
|------------------------------|--------------------------------------|
| eBay, Inc | Shareholder (restricted stock units) |
| PayPal Holdings, Inc | Shareholder (restricted stock units) |
| Straker Transactions Limited | Director (appointed 3 July 2018) |

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 |
| The Minerva Collective | Director |

Joanna Perry

| | |
|---------------------------------|-------------------------------------|
| Genesis Energy Limited | Director |
| IFRS Advisory Council | Chair |
| JMGP Limited | Director/shareholder |
| Kiwi Property Group Limited | Director (ceased 30 September 2017) |
| Partners Group Holdings Limited | Director/shareholder |
| Partners Life Limited | Director |
| Regional Facilities Auckland | Director |
| Oyster Property Group Limited | Director (appointed 8 March 2018) |

Simon West

| | |
|----------------------------------|----------------------|
| West Holdings Limited | Director/shareholder |
| West Investment Holdings Limited | Director |
| Max Fashions Limited | Director/shareholder |
| Max Fashions Holdings Limited | Director |
| Onceit Limited | Director/shareholder |
| Rhombus Investments Limited | Director/shareholder |

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 2018.

Directors' relevant interests in shares

Directors held the following relevant interests in voting securities of Trade Me as at 30 June 2018. There were no changes in directors' holdings in the year to 30 June 2018.

| | Directly held | Held by associated persons |
|-----------------|---------------|----------------------------|
| David Kirk | – | 157,625 |
| Katrina Johnson | – | – |
| Paul McCarney | – | 30,000 |
| Joanna Perry | 26,000 | – |
| Simon West | – | – |

Subsidiary Company directors

The directors of the Company's New Zealand subsidiary companies during the F18 year were Jon Macdonald and Caroline Rawlinson.

In the case of Australian companies Kevin's Australian Investments Pty Limited, MotorWeb Australia Pty Limited, Trade Me Australia Pty Limited and Vehicle ID Australia Pty Limited, the directors were David Kirk and Caroline Rawlinson.

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
- Trade Me Australia Pty Limited
- Vehicle ID 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 80.

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.



Paul

“When we first bought the place money was really tight. We couldn’t afford to buy anything brand new so we jumped on Trade Me and fitted out the whole place with second hand stuff. Even our staff came from Trade Me Jobs.”

Paul is co-owner of the Karaka Cafe and Wharewaka function centre. When he and business partner Keri started out, everything came from Trade Me – from the tables and chairs to the oven in the kitchen. Karaka Cafe and Wharewaka is an award winning venue and they only use Trade Me Jobs to find their staff.

Craig

“I found this old Japanese library bus on Trade Me at 2am one morning. I rang Kei immediately and told her I had a crazy idea of building a kitchen inside the bus. That’s where it all started.”

Craig’s crazy late night idea was the beginning of a gourmet success story. Craig and Kei found their food truck, a place to park it and all their secondhand kitchenware on Trade Me. They spent a year renovating the bus until finally, Beat Kitchen was born.



Anthony

“I’ve always liked old things, but it was an auction for a megalodon tooth that started it snowballing. Trade Me is a great place to fuel and further a passion which is absolutely the case for me. I can’t just go down to the shops and buy fossils!”

Anthony caught the Trade Me bug about two years ago. Since then he finds it the perfect place for niche treasures – he’s got a table covered in fossils and his walls are riddled with ‘mantiques’.

Sam

“When I was 10 my Grandad passed away and my family and I inherited his model trains. I remember my parents put them all on Trade Me for \$1 reserve. Turns out that model trains are worth a lot of money – we made hundreds of dollars and after that I was hooked.”

Trade Me has been part of Sam’s life since she was young. From selling clothes and buying her first scooter to finding jobs and looking for property, Trade Me has been her go-to for almost everything over the years.





Financial statements

for the year ended 30 June 2018



Statement of comprehensive income

for the year ended 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|---|----------|-----------------|-----------------|
| Classifieds | | 140,968 | 125,480 |
| General Items | | 71,325 | 70,415 |
| Other | | 38,070 | 38,986 |
| Total revenue | 3 | 250,363 | 234,881 |
| Cost of sales | | (17,802) | (15,515) |
| Net revenue | | 232,561 | 219,366 |
| Employee benefit expense | 13.2 | (39,923) | (35,828) |
| Web infrastructure expense | | (5,472) | (5,620) |
| Promotion expense | | (10,217) | (10,967) |
| Other expenses | | (12,538) | (12,326) |
| Total expenses | 3 | (68,150) | (64,741) |
| Non-operating items | | - | 1,416 |
| Earnings before interest, tax, depreciation, amortisation and associates | | 164,411 | 156,041 |
| Share of losses from associates | 5 | (634) | (342) |
| Earnings before interest, tax, depreciation and amortisation | | 163,777 | 155,699 |
| Depreciation and amortisation | 4.2, 10 | (25,595) | (21,149) |
| Earnings before interest and tax | | 138,182 | 134,550 |
| Finance income | | 1,558 | 1,410 |
| Finance costs | 14.3 | (5,162) | (5,237) |
| Profit before income tax | | 134,578 | 130,723 |
| Income tax expense | 8 | (38,011) | (36,343) |
| Profit | | 96,567 | 94,380 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Exchange differences on translation of foreign operations | | 41 | (12) |
| Effective portion of changes in fair value of cash flow hedges | 14.3 | 386 | 400 |
| Income tax effect of changes in fair value of cash flow hedges | | (108) | (112) |
| Other comprehensive income | | 319 | 276 |
| Total comprehensive income | | 96,886 | 94,656 |
| Earnings per share | | | |
| Basic and diluted (cents per share) | 7 | 24.33 | 23.76 |

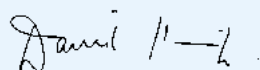
The above statement should be read in conjunction with the accompanying notes.

Statement of financial position

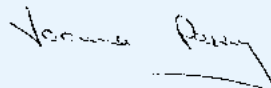
as at 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | 14.1 | 72,114 | 52,832 |
| Trade and other receivables | 9 | 17,398 | 16,393 |
| Total current assets | | 89,512 | 69,225 |
| Property, plant and equipment | 10 | 6,678 | 8,135 |
| Intangible assets | 4 | 820,994 | 818,114 |
| Investment in associates | 5 | 6,556 | 6,149 |
| Total non-current assets | | 834,228 | 832,398 |
| Total assets | | 923,740 | 901,623 |
| LIABILITIES | | | |
| Trade and other payables | 6 | 22,442 | 22,173 |
| Derivative financial instruments | 14 | 190 | 408 |
| Income tax payable | 8 | 9,852 | 8,851 |
| Total current liabilities | | 32,484 | 31,432 |
| Interest bearing loans and borrowings | 6 | 135,895 | 135,957 |
| Deferred tax liability | 8 | 7,918 | 7,831 |
| Derivative financial instruments | 14 | 201 | 369 |
| Other non-current liabilities | | 262 | 348 |
| Total non-current liabilities | | 144,276 | 144,505 |
| Total liabilities | | 176,760 | 175,937 |
| EQUITY | | | |
| Contributed equity | 7 | 1,070,096 | 1,069,927 |
| Share-based payment reserve | 13.2 | 536 | 446 |
| Other reserves | 15 | (486,038) | (486,357) |
| Retained earnings | | 162,386 | 141,670 |
| Total equity attributable to owners of the Company | | 746,980 | 725,686 |
| Total equity and liabilities | | 923,740 | 901,623 |

For and on behalf of the Board of Directors who authorised these financial statements for issue on 21 August 2018



David Kirk
CHAIRMAN



Joanna Perry
CHAIR OF THE AUDIT AND
RISK MANAGEMENT COMMITTEE

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

Statement of changes in equity

for the year ended 30 June 2018

| | Notes | Ordinary shares \$'000 | Share-based payment reserve \$'000 | Retained earnings \$'000 | Other reserves \$'000 | Total equity \$'000 |
|--|-------|---------------------------|---------------------------------------|-----------------------------|--------------------------|------------------------|
| As at 1 July 2016 | | 1,069,814 | 578 | 116,787 | (486,633) | 700,546 |
| Profit | | - | - | 94,380 | - | 94,380 |
| Currency translation differences | | - | - | - | (12) | (12) |
| Movement in cash flow hedge reserve (net of tax) | | - | - | - | 288 | 288 |
| Total comprehensive income | | - | - | 94,380 | 276 | 94,656 |
| Dividends paid | 7 | - | - | (69,497) | - | (69,497) |
| Supplementary dividends | | - | - | (9,824) | - | (9,824) |
| Tax credit on supplementary dividends | | - | - | 9,824 | - | 9,824 |
| Share-based payments | 13.2 | 113 | (132) | - | - | (19) |
| As at 30 June 2017 | | 1,069,927 | 446 | 141,670 | (486,357) | 725,686 |
| Profit | | - | - | 96,567 | - | 96,567 |
| Currency translation differences | | - | - | - | 41 | 41 |
| Movement in cash flow hedge reserve (net of tax) | | - | - | - | 278 | 278 |
| Total comprehensive income | | - | - | 96,567 | 319 | 96,886 |
| Dividends paid | 7 | - | - | (75,851) | - | (75,851) |
| Supplementary dividends | | - | - | (10,442) | - | (10,442) |
| Tax credit on supplementary dividends | | - | - | 10,442 | - | 10,442 |
| Share based payments | 13.2 | 169 | 90 | - | - | 259 |
| As at 30 June 2018 | | 1,070,096 | 536 | 162,386 | (486,038) | 746,980 |

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

Statement of cash flows

for the year ended 30 June 2018

| | 2018 \$'000 | 2017 \$'000 |
|---|-----------------|-----------------|
| Operating activities | | |
| Profit before income tax | 134,578 | 130,723 |
| Adjustments to reconcile profit before income tax to net operating cash flows: | | |
| Depreciation of property, plant and equipment | 3,654 | 3,536 |
| Amortisation of intangible assets | 21,941 | 17,613 |
| Share-based payment expense | 262 | 63 |
| Doubtful debts expense | 539 | 469 |
| Gain on sale of Travelbug and Bookit | - | (497) |
| Release of earn out provision | - | (919) |
| Finance costs | 5,162 | 5,237 |
| Share of losses from associates | 634 | 342 |
| Other | (219) | (80) |
| Working capital adjustments: | | |
| Increase in trade and other receivables and prepayments | (1,436) | (2,915) |
| Increase in trade and other payables | 1,166 | 1,981 |
| Income tax paid | (26,596) | (25,279) |
| Net cash flows from operating activities | 139,685 | 130,274 |
| Investing activities | | |
| Purchase of property, plant and equipment | (2,984) | (2,424) |
| Purchase/capitalisation of intangibles | (24,720) | (22,296) |
| Business disposals | - | 1,082 |
| Deferred payments from business acquisitions | - | (1,753) |
| Investment in associates | (1,006) | (869) |
| Net cash flows (used in) investing activities | (28,710) | (26,260) |
| Financing activities | | |
| Dividends paid | (86,293) | (79,321) |
| Draw down of debt | - | 20,000 |
| Repayment of debt | - | (20,000) |
| Interest paid on borrowings (including facility fees) | (5,400) | (5,974) |
| Net cash flows (used in) financing activities | (91,693) | (85,295) |
| Net increase in cash and cash equivalents | 19,282 | 18,719 |
| Cash and cash equivalents at beginning of period | 52,832 | 34,113 |
| Cash and cash equivalents at end of period | 72,114 | 52,832 |

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

Notes to the financial statements

for the year ended 30 June 2018

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 complying with NZ GAAP the entity 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.

Related party transactions

There were no material related party transactions other than intra-group dividends and funding which have been eliminated on consolidation. All transactions that are not eliminated on consolidation are at arm’s length on commercial terms.

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 or brand indefinite life assets are impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill and brand 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 which 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 an impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2017 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 2017. 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 providing 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 and is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Trade Me will adopt the standard for the financial year ending 30 June 2019. For transitioning purposes, Trade Me will use the retrospective cumulative effect method, whereby initial application of the standard will result in adjusting the opening balance of retained earnings for the start of the comparative period for the cumulative effect of the standard.

Management have reviewed each revenue stream to determine the impact of NZ IFRS 15 and assessed that many revenue streams are not impacted given the short-term nature of our services. Revenue streams impacted are listing fees and some premium fees where listing lengths extend beyond 30 days. Management have assessed the impact of NZ IFRS 15 and concluded that circa 2% of revenue would be deferred at any point in time.

NZ IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Trade Me will adopt the standard for the financial year ending 30 June 2019.

Management have assessed the impact of NZ IFRS 9 and consider the only change in accounting policy will be adoption of the simplified lifetime expected credit loss approach for impairing trade receivables. This change in accounting policy will not have a material impact on the financial statements.

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 annual periods beginning on or after 1 January 2019 with early adoption permitted. Trade Me will adopt the standard for the financial year ending 30 June 2020.

Management have assessed the impact of NZ IFRS 16 on the Group's financial statements and if NZ IFRS 16 had come into effect for the current financial year, an additional \$9.3m lease liability and right-of-use asset would have been recognised in the Group's statement of financial position.

Other amendments to accounting standards

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:

Classifieds

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

General Items

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

Other

The Other segment reflects all other businesses, including advertising, 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* | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Operating Segments | | | | |
| Classifieds | 140,968 | 125,480 | 97,728 | 86,795 |
| General Items | 71,325 | 70,415 | 50,170 | 52,105 |
| Other | 38,070 | 38,986 | 16,513 | 15,725 |
| Total | 250,363 | 234,881 | 164,411 | 154,625 |
| Non-operating items | | | - | 1,416 |
| | | | 164,411 | 156,041 |
| Reconciliation to overall result | | | | |
| Share of associate losses | | | (634) | (342) |
| EBITDA* | | | 163,777 | 155,699 |
| Depreciation and amortisation | | | (25,595) | (21,149) |
| Finance income | | | 1,558 | 1,410 |
| Finance costs | | | (5,162) | (5,237) |
| Profit before income tax | | | 134,578 | 130,723 |

*EBITDA reflects earnings before interest, tax, depreciation and amortisation.

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 also owns four Australian subsidiaries and has international sellers generating revenue overseas, largely in the marketplace business. Revenues from foreign countries amounted to \$10.3m (2017: \$8.5m).

The Group's Australian subsidiaries are:

- Motorweb Australia Pty Limited, which generates revenues in Australia
- Kevin's Australian Investments Pty Limited, which is a holding company
- VehicleID Australia Pty Limited, which is a service entity
- Trade Me Australia Pty Limited, which is a service entity

No single customer contributed 10% or more to the Group's revenue (2017: nil).

4 Intangible assets

| | Goodwill \$'000 | Brand \$'000 | Software \$'000 | Platform development \$'000 | Other \$'000 | Total \$'000 |
|--------------|--------------------|-----------------|--------------------|-----------------------------------|-----------------|-----------------|
| 30 June 2017 | 748,962 | 32,696 | 2,295 | 33,410 | 751 | 818,114 |
| 30 June 2018 | 749,063 | 32,696 | 2,296 | 36,419 | 520 | 820,994 |

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 licences 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, 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 2018 use cash flow projections based on the 2019 financial budgets approved by the directors extrapolated over a four-year period, pre tax discount rates of between 12% - 19% (2017: 11% - 18%) per annum and a terminal growth rate of 1.5% for all CGUs except FindSomeone which used a terminal growth rate of -16% (2017: 1.5% for all CGUs except FindSomeone at -10%).

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 2016 | 749,226 | 32,696 | 781,922 |
| Disposals | (269) | – | (269) |
| Effect of movements in foreign exchange | 5 | – | 5 |
| Balance at 30 June 2017 | 748,962 | 32,696 | 781,658 |
| Effect of movements in foreign exchange | 101 | – | 101 |
| Balance at 30 June 2018 | 749,063 | 32,696 | 781,759 |

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') | 2018 \$'000 | 2017 \$'000 |
|------------------------------------|----------------|----------------|
| Classifieds | 372,893 | 372,792 |
| General Items | 299,457 | 299,457 |
| Other | 76,713 | 76,713 |
| | 749,063 | 748,962 |

Goodwill impairment testing

There was no 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 using assumptions consistent with those above.

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% – 50%
- 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 2016 | | 26,766 | 40,650 | 1,994 | 69,410 |
| Additions | | 1,530 | 21,051 | - | 22,581 |
| Disposals | | (748) | (6,541) | (376) | (7,665) |
| Balance at 30 June 2017 | | 27,548 | 55,160 | 1,618 | 84,326 |
| Additions | | 1,823 | 22,897 | - | 24,720 |
| Balance at 30 June 2018 | | 29,371 | 78,057 | 1,618 | 109,046 |
| Accumulated amortisation | | | | | |
| Balance at 1 July 2016 | | (22,936) | (13,689) | (1,012) | (37,637) |
| Amortisation | | (3,065) | (14,317) | (231) | (17,613) |
| Disposals | | 748 | 6,256 | 376 | 7,380 |
| Balance at 30 June 2017 | | (25,253) | (21,750) | (867) | (47,870) |
| Amortisation | | (1,822) | (19,888) | (231) | (21,941) |
| Balance at 30 June 2018 | | (27,075) | (41,638) | (1,098) | (69,811) |
| Net book value | | | | | |
| Balance at 30 June 2017 | | 2,295 | 33,410 | 751 | 36,456 |
| Balance at 30 June 2018 | | 2,296 | 36,419 | 520 | 39,235 |

5 Associates

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Investments in associates are as follows: | | |
| Harmony Corp Limited | 6,150 | 6,149 |
| Allsorts Limited | 406 | - |
| Investment in associates | 6,556 | 6,149 |
| Equity accounted losses of associates are as follows: | | |
| Harmony Corp Limited | (440) | (342) |
| Allsorts Limited | (194) | - |
| Share of losses from associates | (634) | (342) |

Harmony Corp Limited (Harmony)

The Group has a 12.9% (2017: 11.9%) interest (after the dilution impact of share schemes) in lending platform Harmony, New Zealand's first peer-to-peer lending company. Harmony is an unlisted company incorporated in New Zealand.

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

No dividends have been received from Harmony in the year ended 30 June 2018 (2017: nil).

Harmony has a 31 March reporting date. The balance sheet in note 5.1 reflects Harmony's audited financial statements for the year ended 31 March 2018. The equity accounted losses reflect Harmony's audited financial statements to 31 March 2018, and management accounts from that date to 30 June 2018.

Allsorts Limited (Allsorts)

The Group has a 50% (2017: nil) interest in Allsorts, a job matching tool that helps match job hunters and employers. Allsorts is an unlisted company incorporated in New Zealand.

5.1 Harmony Corp Limited

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Carrying amount of associate | | |
| Opening carrying amount | 6,149 | 5,556 |
| Acquisition of shares | 441 | 935 |
| Total cost of investment | 6,590 | 6,491 |
| Share of associate's losses in the year | (440) | (342) |
| Carrying value of investment in associate | 6,150 | 6,149 |
| Balance Sheet information for Harmony: | | |
| Current assets | 9,497 | 8,622 |
| Non current assets | 226 | 401 |
| Total assets | 9,723 | 9,023 |
| Current liabilities | 4,135 | 3,565 |
| Non current liabilities | 152 | 113 |
| Total liabilities | 4,287 | 3,678 |
| Equity | 5,436 | 5,345 |
| Equity accounted earnings comprise: | | |
| Revenues – 100% | 27,814 | 17,494 |
| Loss from continuing operations – 100% | (3,423) | (2,733) |
| Loss from continuing operations – Trade Me share | (440) | (342) |

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 amount and recognises the amount in the "share of losses from associate" line in the statement of comprehensive income. The Group has referenced recent arms length share transactions to determine an effective fair value of its investment in Harmony. Based on this, there was no impairment of investment in associates recognised at 30 June 2018 (2017: nil).

6 Liabilities and other commitments

Trade and Other Payables

| | 2018 \$'000 | 2017 \$'000 |
|-----------------------|----------------|----------------|
| Trade payables | 10,916 | 10,031 |
| Accrued expenses | 6,571 | 7,306 |
| Revenue in advance | 2,562 | 2,469 |
| Employee entitlements | 2,393 | 2,367 |
| | 22,442 | 22,173 |

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.

Liabilities for wages, salaries and annual leave are recognised in the provision for employee entitlements and are 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 \$166m revolving cash advance loan facility with Commonwealth Bank of Australia (70%) and Westpac New Zealand Limited (30%) of which \$136m was drawn down as at 30 June 2018. Tranche 1 of the facility was refinanced during the year with the maturity date extended to 11 June 2021.

| Description | Maturity date | 2018 \$'000 | 2017 \$'000 |
|--------------------------|---------------|----------------|----------------|
| Tranche 1 | 11-Jun-21 | 83,000 | 83,000 |
| Tranche 2 | 11-Dec-19 | 53,000 | 53,000 |
| Loan establishment costs | | (105) | (43) |
| | | 135,895 | 135,957 |

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

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Within one year | 2,773 | 2,644 |
| Later than one year but not later than five years | 7,654 | 7,762 |
| Later than five years | - | 1,393 |
| | 10,427 | 11,799 |

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 2018 (2017: nil).

Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2018 (2017: nil).

7 Share information

| Movement in total shares on issue | 2018 '000s | 2017 '000s |
|---|----------------|----------------|
| Balance at beginning of period | 396,981 | 397,093 |
| Issue of restricted shares | 363 | 274 |
| Cancellation of restricted shares | (267) | (386) |
| Balance at the end of the period | 397,077 | 396,981 |
| Comprised of | | |
| Restricted shares | 880 | 873 |
| Ordinary shares | 396,197 | 396,108 |

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:

| | 2018 | 2017 |
|--|---------|---------|
| Earnings used for the calculation of basic and diluted earnings (\$'000) | 96,567 | 94,380 |
| Weighted average number of shares on issue (000's) | 396,981 | 397,304 |
| Basic and diluted earnings per share (cents) | 24.33 | 23.76 |

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

| | | 2018 \$'000 | 2017 \$'000 |
|--|-------------------------|----------------|----------------|
| Final dividend for 2016 | at 9.0 cents per share | | 35,738 |
| Interim dividend for 2017 | at 8.5 cents per share | | 33,759 |
| Final dividend for 2017 | at 10.0 cents per share | 39,698 | |
| Interim dividend for 2018 | at 9.1 cents per share | 36,153 | |
| Dividends declared and proposed after reporting date, but not recorded as a liability in these financial statements: | | | |
| Final dividend for 2018 | at 10.5 cents per share | 41,693 | |
| Special dividend | at 22.0 cents per share | 87,357 | |

8 Tax

| <u>Income tax recognised in profit or loss</u> | <u>2018</u> <u>\$'000</u> | <u>2017</u> <u>\$'000</u> |
|--|------------------------------|------------------------------|
| Tax expense comprises: | | |
| Current tax charge | 37,924 | 36,155 |
| Deferred tax relating to the origination and reversal of temporary differences | 87 | 188 |
| Total tax charge | 38,011 | 36,343 |

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 | 134,578 | 130,723 |
| Income tax expense calculated at 28% | 37,682 | 36,602 |
| Non-deductible expenses | 423 | 298 |
| Non-assessable income | (140) | (539) |
| Other | 46 | (18) |
| | 38,011 | 36,343 |

Deferred tax

The analysis of deferred tax assets and liabilities is as follows:

| <u>Assets/(liabilities)</u> | <u>Indefinite Life</u> <u>Brand Asset</u> <u>\$'000</u> | <u>Other</u> <u>\$'000</u> | <u>Total</u> <u>\$'000</u> |
|-----------------------------------|---|-------------------------------|-------------------------------|
| Balance at 1 July 2016 | (9,153) | 1,510 | (7,643) |
| Charged to income statement | – | (188) | (188) |
| Balance as at 30 June 2017 | (9,153) | 1,322 | (7,831) |
| Charged to income statement | – | (87) | (87) |
| Balance as at 30 June 2018 | (9,153) | 1,235 | (7,918) |

| <u>Imputation credit account</u> | <u>2018</u> <u>\$'000</u> | <u>2017</u> <u>\$'000</u> |
|---|------------------------------|------------------------------|
| Imputation credits available for use in subsequent periods | 48,004 | 39,974 |

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 \$38,606,000 (2017: \$31,299,000).

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

| | 2018 \$'000 | 2017 \$'000 |
|------------------------------|----------------|----------------|
| Trade receivables | 15,820 | 13,172 |
| Provision for doubtful debts | (1,480) | (1,057) |
| Other | 3,058 | 4,278 |
| | 17,398 | 16,393 |

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

| | Motor vehicles \$'000 | Computer equipment \$'000 | Plant and equipment \$'000 | Total \$'000 |
|---------------------------------|-----------------------------|---------------------------------|----------------------------------|-----------------|
| Gross carrying amount | | | | |
| Balance at 1 July 2016 | 54 | 19,017 | 6,551 | 25,622 |
| Additions | - | 1,851 | 322 | 2,173 |
| Disposals | (26) | (800) | (186) | (1,012) |
| Balance at 30 June 2017 | 28 | 20,068 | 6,687 | 26,783 |
| Additions | - | 1,956 | 295 | 2,251 |
| Disposals | (2) | (7,058) | (1) | (7,061) |
| Balance at 30 June 2018 | 26 | 14,966 | 6,981 | 21,973 |
| Accumulated depreciation | | | | |
| Balance at 1 July 2016 | (53) | (13,872) | (2,193) | (16,118) |
| Depreciation | - | (2,817) | (719) | (3,536) |
| Disposals | 26 | 800 | 180 | 1,006 |
| Balance at 30 June 2017 | (27) | (15,889) | (2,732) | (18,648) |
| Depreciation | (1) | (2,973) | (680) | (3,654) |
| Disposals | 2 | 7,005 | - | 7,007 |
| Balance at 30 June 2018 | (26) | (11,857) | (3,412) | (15,295) |
| Net book value | | | | |
| Balance at 30 June 2017 | 1 | 4,179 | 3,955 | 8,135 |
| Balance at 30 June 2018 | - | 3,109 | 3,569 | 6,678 |

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 | |
|--|---|------------------------|---------------------------------------|------|
| | | | 2018 | 2017 |
| Trade Me Limited | Operate and manage all Trade Me platforms | New Zealand | 100% | 100% |
| Old Friends Limited | Non-trading | New Zealand | 0% | 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% |
| VehicleID Australia Pty Limited | Service entity | Australia | 100% | 0% |
| Trade Me Australia Pty Limited | Service entity | Australia | 100% | 0% |

12 Revenue and expenses

Other expenses

Other expenses include:

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Remuneration of the auditors | | |
| Audit of annual financial statements | 111 | 108 |
| Review of interim (half year) financial statements | 47 | 46 |
| Preparation of greenhouse gas emission reporting (CarboNZero) | 12 | - |
| Total remuneration paid or payable to EY | 171 | 154 |
| Other | | |
| Rent | 3,169 | 3,078 |

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.

Classifieds

Income is split between member income and invoiced income. Invoiced income is recognised at the point at which the service is delivered.

General Items

Income is primarily derived from members and 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.

Other

Comprises largely of invoiced income. Invoiced income is recognised at the point at which the service is delivered.

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:

| | 2018 \$'000 | 2017 \$'000 |
|---------------------------|----------------|----------------|
| Short-term benefits | 5,331 | 4,469 |
| Share-based payments | 128 | 37 |
| Termination benefits | 200 | – |
| Total compensation | 5,659 | 4,506 |

13.2 Share-based payment plans

Equity-settled employee share plans

The Company grants restricted shares under a Long-term Incentive Scheme ('the Scheme'), with a typical vesting period of three years to management. This vesting period may vary 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 cost of restricted shares is measured based on the fair value at the date they are granted using an appropriate pricing model. The cost is recognised, together with a corresponding increase in equity, over the vesting period. The cumulative expense at each reporting date reflects the extent to which the vesting period has expired and the best estimate of the number of shares that will vest. The expense or credit in the reporting period is the movement in cumulative expense and is recognised in employee benefits expense.

Vesting criteria

Vesting of half of any entitlement is dependent upon the Group's total shareholder return (TSR) achieving or exceeding 50% of the NZX 50 Index (the Index) with 100% vesting if TSR performance is in the top quartile. Vesting of the other half of any entitlement is dependent upon the Group achieving earnings per share (EPS) three year annual compound growth from 6% (F16, F17 and F18 tranches) and from 8% (F15 tranche) with 100% vesting at 10% (F16, F17 and F18 tranches) and at 12% (F15 tranche).

Share based payment expense recognised in the current period was \$0.3m (2017: \$0.1m) and PAYE liability arising from share based payments at 30 June 2018 was \$0.2m (2017: \$0.4m).

Partial vesting of F15 tranche

F15 tranche had a vesting date of 30 September 2017. The EPS hurdle was not met and half of the F15 tranche shares tied to the EPS hurdle did not vest at all. The minimum TSR hurdle was met with 30.55% of the F15 tranche shares vesting.

The following table shows key information for each tranche of the Scheme:

| | F15 tranche | F16 tranche | F17 tranche | F18 tranche |
|---|-------------|----------------|----------------|----------------|
| Grant date | 1-Oct-14 | 1-Oct-15 | 1-Oct-16 | 1-Oct-17 |
| Vesting date | 30-Sep-17 | 30-Sep-18 | 30-Sep-19 | 30-Sep-20 |
| Number outstanding/exercisable | | | | |
| Outstanding at beginning of the year | 295,356 | 316,034 | 261,191 | - |
| (Exercised)/granted during the year | (88,796) | - | - | 362,650 |
| (Forfeited)/(expired) during the year | (206,560) | (19,105) | (37,642) | (3,375) |
| Outstanding at end of the year | - | 296,929 | 223,549 | 359,275 |
| Exercisable at end of the year | - | 286,416 | 142,556 | 214,614 |
| Weighted average exercise price: | | | | |
| - exercisable as at the end of the year | | \$3.72 | \$5.47 | \$4.44 |
| - exercised during the year | \$3.55 | | | |
| Weighted average fair value: | | | | |
| - exercisable as at the end of the year | | \$2.00 | \$2.96 | \$2.38 |

14 Financial instruments

14.1 Cash and cash equivalents

Cash and cash equivalents 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 \$30m (2017: \$40m).

14.2 Derivative financial instruments

The Group uses derivative financial instruments to manage its risks associated with 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 currently cover \$50m (2017: \$70m) of the principal outstanding and mature over a three year period.

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

| | 2018 \$'000 | 2017 \$'000 |
|---------------------------------------|----------------|----------------|
| 0–1 years | 50,000 | 20,000 |
| 1–2 years | 30,000 | 50,000 |
| 2–3 years | 30,000 | 30,000 |
| Fair value interest rate swaps | | |
| Current portion | (190) | (408) |
| Non-current portion | (201) | (369) |

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

| | 2018 \$'000 | 2017 \$'000 |
|---------------------------------------|----------------|----------------|
| Cash | 72,114 | 52,832 |
| Interest bearing loans and borrowings | (136,000) | (136,000) |
| Interest rate swaps | (391) | (777) |

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 2018 would have decreased/increased by \$0.7m (2017: decreased/increased by \$0.9m). If interest rates had moved by + / - 1% the Group's equity would have increased/decreased by \$0.9m (2017: increased/decreased by \$0.9m). 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.

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 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 | 1-5 Years \$'000 | Total \$'000 |
|--------------------------|---------------------------------|-----------------------|---------------------|-----------------|
| 2018 | | | | |
| Trade and other payables | 22,442 | - | 262 | 22,704 |
| Borrowings | 2,293 | 2,293 | 142,352 | 146,938 |
| Interest rate swaps | 189 | 15 | 187 | 391 |
| | 24,924 | 2,308 | 142,801 | 170,033 |
| 2017 | | | | |
| Trade and other payables | 22,173 | - | 348 | 22,521 |
| Borrowings | 2,121 | 2,121 | 139,591 | 143,833 |
| Interest rate swaps | 141 | 185 | 592 | 918 |
| | 24,435 | 2,306 | 140,531 | 167,272 |

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 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 as level 2 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)

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:

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Changes in fair value of interest rate swaps recognised in finance costs | – | 845 |
| Effective portion of changes in fair value of cash flow hedges recognised in other comprehensive income | 386 | 400 |
| Gain in fair value of interest rate swaps | 386 | 1,245 |

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 2016 | (485,737) | (888) | (8) | (486,633) |
| Changes during the period | – | 288 | (12) | 276 |
| As at 30 June 2017 | (485,737) | (600) | (20) | (486,357) |
| Changes during the period | – | 278 | 41 | 319 |
| As at 30 June 2018 | (485,737) | (322) | 21 | (486,038) |

16 Events after the reporting period

On 21 August 2018, the Group entered into an additional debt facility arrangement with Commonwealth Bank of Australia and Westpac Banking Corporation for \$80m for a period of 18 months expiring January 2020.

On 21 August 2018, the Group agreed to acquire a minority interest in Sharesies Limited.

A final dividend and a special dividend were declared after 30 June 2018 (refer to note 7).



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 52 to 76, which comprise:

- The consolidated statement of financial position of the group as at 30 June 2018;
- The consolidated statement of comprehensive income of the group,
- The consolidated statement of changes in equity of the group, and
- The consolidated statement of cash flows of the group for the year then ended; and
- The notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 52 to 76 present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2018 and its consolidated 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.

Ernst & Young provides greenhouse gas inventory reporting and half year review reporting to the group. 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. We have no other relationship with, or interest in, the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated 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.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Testing of Goodwill & Brand for impairment

Why significant

Refer to Note 4 of the financial statements.

Goodwill and Brand indefinite life intangible assets have been recognised in the Group financial statements with a value of \$781.8 million. These assets make up a significant portion (85%) of the Group's total assets.

The cash generating units identified by the Group to which Goodwill has been allocated for impairment testing represent 11 identifiable revenue generating operational units which, for management purposes, are allocated to three reportable segments.

As required by NZ IAS 38 *Intangible Assets*, the Group tests indefinite life intangible assets such as goodwill and brands for impairment annually in accordance with NZ IAS 36 *Impairment of Assets*.

This impairment assessment requires judgment. The key judgment is considered to be in relation to the allocation of intangible assets to cash generating units and the forecast earnings performance of the operating segments of the Group. Other judgments 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 methodology and calculation used in the Group's impairment assessment, as well as examining significant inputs at an appropriate level for each component of goodwill and brand. In obtaining sufficient audit evidence we:

- assessed the process for determining the cash generating units and considered whether the business has changed requiring these to be re-assessed;
- assessed the earnings forecasts included in the impairment model with reference to actual historical earnings;
- tested, with involvement from our valuation specialists, the impairment calculations including the application of discounting of 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, including the terminal growth rate 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 adequacy of the related financial statement disclosures.

2. Capitalised Platform Development Costs

Why significant

Refer to Note 4 of the financial statements.

The Group capitalises costs for internally developed software and then amortises the software over its estimated useful life. In the year to 30 June 2018, \$22.9 million of costs were capitalised to Platform Development costs. The net book value of Platform Development assets at 30 June 2018 was \$36 million. \$19.9 million of amortisation costs were recognised in the statement of comprehensive income for the year ended 30 June 2018.

The Group's process for calculating the amount of internally developed platform costs to be capitalised is judgmental and involves estimating the hours 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 judgmental, 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 the Group.

How our audit addressed the key audit matter

Our work on capitalised platform development costs focused on the Group's process for identifying relevant projects that contributed to the value of the capitalised platform 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 and applied for those costs. In obtaining sufficient audit evidence, we:

- checked the job descriptions for a sample of staff that had time capitalised in the period to assess whether they were appropriate for inclusion in the cost of internally developed software;
- understood a sample of projects which were assessed as being capital in nature and assessed these against the requirements for capitalisation in accordance with 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 relevant controls;
- substantiated the costing of a sample of other (non-payroll) directly attributable costs;
- checked the timeliness of capitalisation of projects considering whether this reflects the economic utilisation of the asset;
- assessed the period of time over which development costs are amortised in consideration of the economic renewal period required for this development and industry comparator useful life assessments; and
- performed a recalculation of the amortisation expense based on the carrying value of each capitalised item and the assessed useful economic life.

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 consolidated financial statements and auditor's report.

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

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated 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.

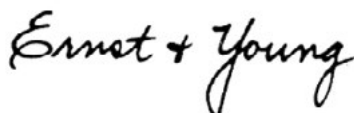
In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 consolidated 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 further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>. This description forms part of our auditor's report.

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



Chartered Accountants
Wellington
21 August 2018

Directory



www.trademe.co.nz



www.trademe.co.nz/motors



www.trademe.co.nz/property



www.trademe.co.nz/jobs



www.trademeinsurance.co.nz



www.lifedirect.co.nz



www.motorweb.co.nz



www.findsomeone.co.nz



www.paystation.co.nz



www.holidayhouses.co.nz



Stock exchange listings

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

Registered office

Trade Me Group Limited
Level 5
2 Market Lane
Wellington 6011
New Zealand

Level 5, 1 Darling Island Road
Pyrmont, NSW 2009
Australia

NZ Company Number: 3590412
ARBN: 154 115 723

Investor information

investors.trademe.co.nz

Board of directors

- David Edward Kirk (Chairman)
- Paul Milton McCarney
- Joanna Mary Gordon Perry
- Katrina Louise Johnson
- Simon Blair West

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:

New Zealand

0800 990 057 or (+64) 9 375 5998
enquiries@linkmarketservices.com

Australia

registrars@linkmarketservices.com.au

For other investor enquiries, please email: investors@trademe.co.nz

Notice of event affecting securities

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

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

1

Full name of Issuer **Trade Me Group Limited**

Name of officer authorised to make this notice **Caroline Rawlinson** Authority for event, e.g. Directors' resolution **Directors' resolution**

Contact phone number **+64 21 860 821** Contact fax number Date **21 / 8 / 2018**

Nature of event
Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

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

Description of the class of securities **Ordinary and Restricted Shares** ISIN **NZTMEE0003S8**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities ISIN
If unknown, contact NZX

Number of Securities to be issued following event Minimum Entitlement Ratio, e.g. ① for ② for

Conversion, Maturity, Call Payable or Exercise Date Treatment of Fractions

Strike price per security for any issue in lieu or date Strike Price available. Tick if *pari passu* OR provide an explanation of the ranking

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

| | | | |
|---|--------------|---|--|
| Amount per security (does not include any excluded income) | \$0.105 | Source of Payment | Retained Earnings |
| Excluded income per security (only applicable to listed PIEs) | | | |
| Currency | NZ Dollars | Supplementary dividend details - NZSX Listing Rule 7.12.7 | Amount per security in dollars and cents \$0.018529 |
| Total monies | \$41,693,063 | | Date Payable 18 September, 2018 |

Taxation *Amount per Security in Dollars and cents to six decimal places*

| | | | | | |
|---|----|--------------------------|------------|-----------------------------------|------------|
| In the case of a taxable bonus issue state strike price | \$ | Resident Withholding Tax | \$0.007292 | Imputation Credits (Give details) | \$0.040833 |
| | | Foreign Withholding Tax | \$0.018529 | FDP Credits (Give details) | |

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements - **7 September, 2018**

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **18 September, 2018**

Notice Date
Entitlement letters, call notices, conversion notices mailed

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.

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

Security Code:
Security Code:



Notice of event affecting securities

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

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

1

| | | | |
|--|------------------------|---|-----------------------|
| Full name of Issuer | Trade Me Group Limited | | |
| Name of officer authorised to make this notice | Caroline Rawlinson | Authority for event, e.g. Directors' resolution | Directors' resolution |
| Contact phone number | +64 21 860 821 | Contact fax number | |
| | | Date | 21 / 8 / 2018 |

| | | | | | |
|---|--|--|---|---|--|
| Nature of event Tick as appropriate | Bonus Issue <input type="checkbox"/> | If ticked, state whether: Taxable <input type="checkbox"/> / Non Taxable <input type="checkbox"/> | Conversion <input type="checkbox"/> | Interest <input type="checkbox"/> | Rights Issue Renounceable <input type="checkbox"/> |
| | Rights Issue non-renounceable <input type="checkbox"/> | Capital change <input type="checkbox"/> Call <input type="checkbox"/> Dividend <input checked="" type="checkbox"/> | If ticked, state whether: Interim <input type="checkbox"/> Full Year <input type="checkbox"/> | Special <input checked="" type="checkbox"/> | DRP Applies <input type="checkbox"/> |

| | | |
|---|--|--|
| EXISTING securities affected by this | If more than one security is affected by the event, use a separate form. | |
| Description of the class of securities | Ordinary and Restricted Shares | ISIN NZTMEE0003S8 If unknown, contact NZX |

| | | |
|---|---|--|
| Details of securities issued pursuant to this event | If more than one class of security is to be issued, use a separate form for each class. | |
| Description of the class of securities | | ISIN If unknown, contact NZX |
| Number of Securities to be issued following event | | Minimum Entitlement <input type="checkbox"/> Ratio, e.g. ① for ② <input type="checkbox"/> for <input type="checkbox"/> |
| Conversion, Maturity, Call Payable or Exercise Date | Enter N/A if not applicable | Treatment of Fractions <input type="checkbox"/> OR provide an explanation of the ranking |
| Strike price per security for any issue in lieu or date Strike Price available. | | |

| | | |
|---|--|--|
| Monies Associated with Event | Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money. | |
| In dollars and cents | Source of Payment | Retained Earnings |
| Amount per security (does not include any excluded income) | \$0.22000 | |
| Excluded income per security (only applicable to listed PIEs) | | |
| Currency | NZ Dollars | Supplementary dividend details - NZSX Listing Rule 7.12.7 |
| Total monies | \$87,356,894 | Amount per security in dollars and cents \$0.038824 Date Payable 18 September, 2018 |

| | | |
|---|--|---|
| Taxation | Amount per Security in Dollars and cents to six decimal places | |
| In the case of a taxable bonus issue state strike price | \$ | Resident Withholding Tax \$0.015278 Imputation Credits (Give details) \$0.085556 |
| | | Foreign Withholding Tax \$0.038824 FDP Credits (Give details) |

| | | |
|--|--|---|
| Timing | (Refer Appendix 8 in the NZSX Listing Rules) | |
| Record Date 5pm For calculation of entitlements - | 7 September, 2018 | Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. 18 September, 2018 |
| Notice Date Entitlement letters, call notices, conversion notices mailed | | Allotment Date For the issue of new securities. Must be within 5 business days of application closing date. |

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

Security Code:
Security Code:



22 August 2018

Company Announcements Office
ASX
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
Australia

Trade Me Group Limited (ASX/NZX: TME) - ASX listing Rule 1.15.3

For the purposes of clause 1.15.3 of the ASX Listing Rules, Trade Me Group Limited (a Foreign Exempt entity on ASX) confirms that it has complied with and continues to comply with the Listing Rules of the New Zealand Stock Exchange (NZX), which is its home exchange.

Yours faithfully,



Sarah Hard
Company Secretary