Trade Me Group Limited

19 August 2014

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

TRADE ME GROUP LIMITED (TME)
ANNUAL RESULT (FOR THE YEAR END 30 JUNE 2014)

Please find attached the financial information required by Listing Rule 4.3A, together with the Trade Me Group financial statements for the year ended 30 June 2014, and the Company's year-end presentation to analysts.

Attached:

1. Appendix 4E (and NZX Appendix 1) detailing the Preliminary Announcement for the year ended 30 June 2014;
2. Appendix 7 (as required by NZX Listing Rule 7.12.2) which details the dividend of NZ 8.4 cents per ordinary share (and the supplementary dividend payable to certain non-NZ resident shareholders) to be paid on 23 September 2014 to those shareholders on the company's share register as at 5pm on 12 September 2014;
3. Media release
4. Audited financial statements and notes for the year ended 30 June 2014;
5. Analyst presentation.

Yours faithfully

Sarah Hard
Company Secretary

Appendix 4E

Trade Me Group Limited (ARBN 154 115 723)

Results for announcement to the market

Reporting period: 12 months to 30 June 2014
Previous reporting period: 12 months to 30 June 2013

	Amount NZ $'000	Percentage Change
Revenues from ordinary activities	180,104	Up 9.7%
Profit from ordinary activities after tax attributable to security holder	80,111	Up 1.9%
Net profit attributable to security holder	80,111	Up 1.9%

Dividend information	Amount per Security NZ cents	Franked amount per Security NZ cents
Final dividend	8.40	–
Record date	12–Sep–2014	
Payment date	23–Sep–2014	

Commentary on results for the period

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

Financial Information

The appendix 4E should be read in conjunction with the consolidated financial statements for the year ended 30 June 2014 as attached.

Net tangible assets per security	2014 NZ cents	2013 NZ cents
Net tangible assets per security	-32.80	-30.11
Basic and diluted weighted average number of ordinary shares ('000s)	396,495	396,232

Appendix 1

Trade Me Group Limited

Results for announcement to the market

Reporting period: 12 months to 30 June 2014
Previous reporting period: 12 months to 30 June 2013

	Amount NZ $'000	Percentage Change
Revenues from ordinary activities	180,104	Up 9.7%
Profit from ordinary activities after tax attributable to security holder	80,111	Up 1.9%
Net profit attributable to security holder	80,111	Up 1.9%

Dividend information	Amount per Security NZ cents	Imputed amount per Security NZ cents
Final dividend	8.40	3.2667
Record date	12–Sep–2014	
Payment date	23–Sep–2014	

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 2014 as attached.

Net tangible assets per security	2014 NZ cents	2013 NZ cents
Net tangible assets per security	-32.80	-30.11
Basic and diluted weighted average number of ordinary shares ('000s)	396,495	396,232

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

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

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.

Full name of Issuer	Trade Me Group Limited
Name of officer authorised to make this notice	Jonathan Klouwens
Authority for event, e.g. Directors' resolution	Directors' resolution
Contact phone number	+64 (0) 272 10 6505
Contact fax number	+64 4 803 2699
Date	19 / 8 / 2014

Nature of event
Tick as appropriate

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

EXISTING securities affected by this

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

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

If unknown, contact NZX

Details of securities issued pursuant to this event

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

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

Monies Associated with Event

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

In dollars and cents

Amount per security (does not include any excluded income)	$0.084
Source of Payment	Retained Earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZ Dollars
Total monies	$33,313,136

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.014824
Date Payable	23 September, 2014

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	$0.005833
Imputation Credits (Give details)	$0.032667
Foreign Withholding Tax	$0.014824
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements -	12 September, 2014
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.	23 September, 2014
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:

20 August 2014

Trade Me Group Limited

Trade Me result: revenue up, reinvestment continues

Highlights

- *Revenue up 10% YoY to $180.1m*
- *Net profit after tax up 2% YoY to $80.1m*
- *EBITDA[1] up 4% YoY to $128.7m*
- *Earnings per share for F14 was 20.2 cents, up from 19.8 cents in F13*
- *Fully imputed final dividend of 8.4 cps to be paid on 23 Sept (full year dividend of 16.0 cps)*
- *Classifieds underpinning growth, General Items flat*
- *F14 acquisitions LifeDirect and MotorWeb performing well*
- *Strong mobile and tablet growth continues*

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 2014 this morning.

Trade Me chairman David Kirk said the result was in line with expectations. "While we've delivered record revenue and profit, the focus for this year has been on reinvestment and hard work. We have a great company, and we've dedicated our attention to positioning the company for longer term growth."

Trade Me CEO Jon Macdonald said that the investment had been "substantial but careful" over F14. "We've continued to hire strongly and develop additional products, especially in mobile and across our marketplace and property businesses. This investment is aimed at building a better business."

The numbers

Mr Macdonald said Trade Me's revenue had grown "at an acceptable rate" in F14, up 10 per cent on a year ago to $180.1m. The company's net profit after tax was $80.1m, up 2 per cent year-on-year.

Earnings per share increased to 20.2 cents per share and a fully imputed dividend of 8.4 cents per share will be paid in September. In March, Trade Me paid investors an interim dividend of 7.6 cents per share.

Mobile still surging

Mobile and tablet usage continue to be huge for Trade Me. In July 2014, for the first time ever, more Trade Me sessions took place via its mobile applications like the Android and iPhone apps than via the 'main' desktop site.

Major releases in the second half of F14 included a new iPhone app for Trade Me Jobs, overhauled iPhone and Android apps for Trade Me, and upgraded iPhone and iPad apps for Trade Me Property.

Performance by segment

In General Items, revenue was down 1 per cent on F13 and Mr Macdonald said restoring the marketplace to growth was an ongoing area of focus.

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

In the Classifieds, the strong form of these businesses in the first half of the year continued. “There’s no doubt this is the growth engine for the business and we saw a strong result here with revenue up 23 per cent on a year ago,” Mr Macdonald said.

Trade Me Motors retained a very strong market position, and had been bolstered by the acquisition of MotorWeb in December 2013.

Trade Me Jobs continues to make inroads against its main rival in terms of market share and is benefiting from the recovering New Zealand economy.

Trade Me Property remains the most popular means for New Zealanders to find houses, with three times the audience of its nearest competitor. Mr Macdonald said the approach to pricing rolled out from November 2013 had been revised recently in order to provide agents with more options.

Mr Macdonald said Trade Me’s online health and life insurance comparison business LifeDirect had performed very well, having issued 69 per cent more policies than a year ago.

Expenses

Expenses were up 26 per cent year-on-year. Mr Macdonald described this as “a sizeable but necessary increase” as Trade Me looked to convert on opportunities and ensure it was well-placed in the longer term.

Outlook

Mr Macdonald said Trade Me’s period of reinvestment signalled a year ago would continue in F15. “We expect to grow revenue and EBITDA over the coming year but our focus will be on improving the products we offer, strengthening our sales and account management, and ensuring stronger growth in the medium to long term.”

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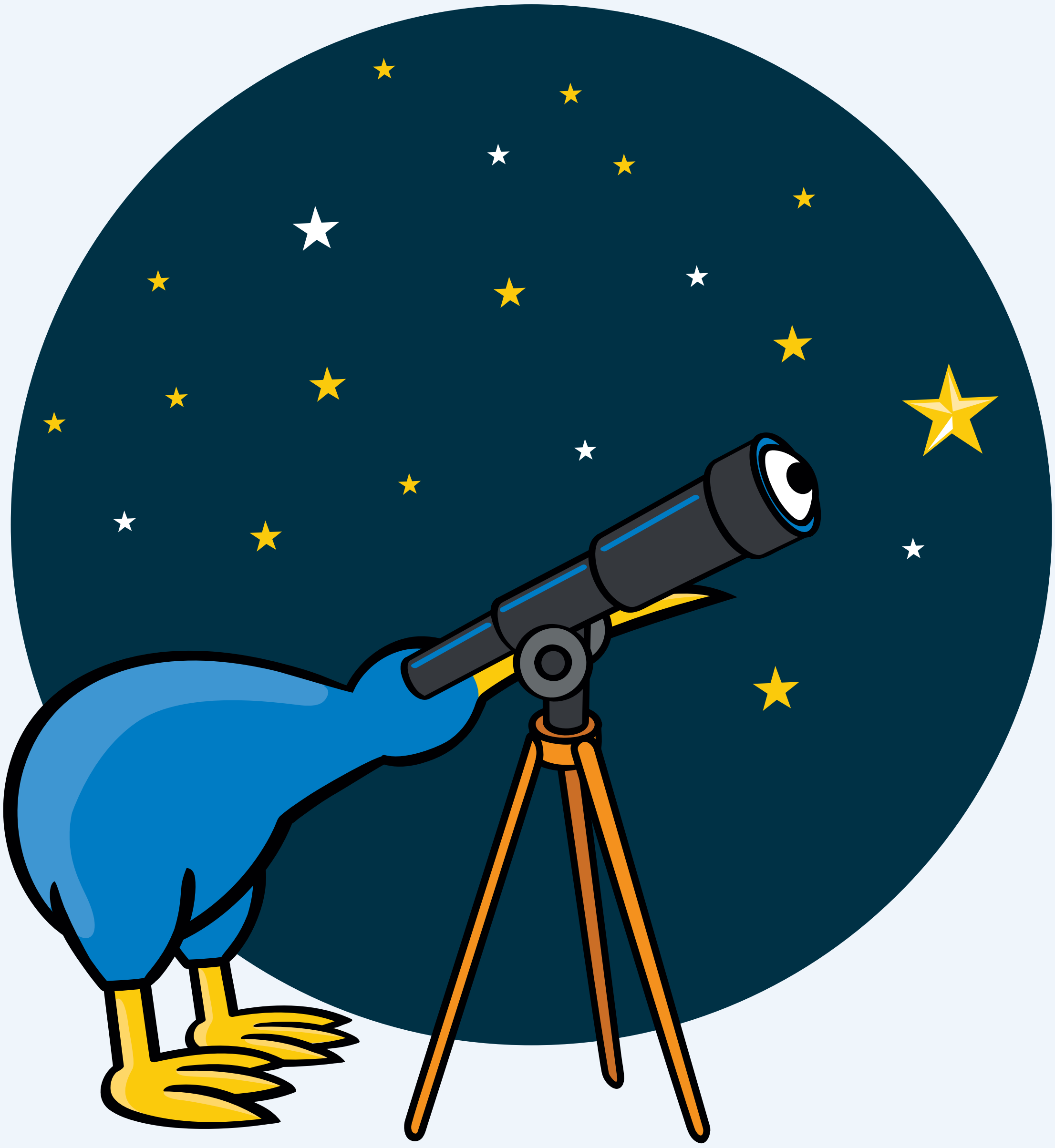
More information:

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

Contacts:

Media: Paul Ford, Trade Me, paul@trademe.co.nz
Investors: Colin Rohloff, Trade Me, investors@trademe.co.nz



trade me
Trade Me Group Limited

Full Year Report

for the year ended 30 June 2014

Contents

Highlights

- Revenue was up 10% year-on-year to a record $180.1m, underpinned by strength in our trio of Classified businesses, where revenue was up 23% on F13 to $85.6m.
- Earnings growth has continued with net profit after tax of $80.1m for F14, up 2% year-on-year. Earnings per share for F14 was 20.2 cents, up from 19.8 cents in F13 and 19.1 cents in F12.
- EBITDA* for F14 was $128.7m, up 4% year-on-year.
- A fully imputed final dividend of 8.4 cents per share will be paid on 23 September 2014. This follows on from the dividend of 7.6 cents per share paid on 25 March 2014.
- Our recent acquisitions LifeDirect (completed in September 2013) and MotorWeb (completed in December 2013) have continued to perform well.
- Strong mobile and tablet growth continues. In July 2014 more sessions on Trade Me took place via our touch site and native apps than via our 'main' desktop site.
- People: our chief operating officer Mike O'Donnell has left Trade Me, and we have made several senior hires including a new head of Trade Me Property, Nigel Jeffries.
- We expect to grow both revenue and EBITDA over the coming year, however our focus will be on improving the products we offer and strengthening our sales and account management.

For more information visit investors.trademe.co.nz

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

Commentary

Dear Shareholders,

Thank you for your continued support.

We've had an acceptable year on the financial front. We delivered record revenue and profit but the focus this year has been on reinvestment and hard work to ensure Trade Me's long-term growth.

We've been careful with our investment and have continued to hire strongly and develop additional products across our businesses – especially in General Items, mobile and Property. We are firm in our belief that this investment now will result in a better business, stronger market positions and greater growth opportunities for Trade Me in the future.

The numbers

In F14, Trade Me grew its revenue to $180.1m, a rise of 10 per cent on F13. Our net profit after tax was $80.1m, an increase of 2 per cent year-on-year as we continued to invest in our business. The resulting earnings per share increased to 20.2 cents per share (up from 19.8 cents per share in F13).

We intend to pay a fully imputed final dividend of 8.4 cents per share to shareholders on 23 September 2014. This follows on from the interim dividend of 7.6 cents per share we paid to investors on 25 March 2014.

Operating performance

We are continuing our work to restore our **General Items** marketplace to growth. We have a buyer-centric overhaul underway with significant development including the streamlining of Buy Now, the release of a shopping cart and a category makeover for Trade Me Fashion. We are also starting to gain traction with on-boarding international suppliers to enhance the range of goods for sale on Trade Me. Revenue was down 1 per cent on the previous year, and flat if the one-off adjustment made in F13 is excluded.

The form from our half-year results continues and the **Classifieds** turned in a very strong result with revenue up 23 per cent on F13 to $85.6m.

Trade Me Motors retains an extremely strong market position. The acquisition of MotorWeb has gone very well and we're looking forward to introducing 'bundled products' to make the most of the broad services we offer to dealers in particular.

Trade Me Jobs continues to make inroads against its main rival in terms of market share and is benefiting from the recovering New Zealand economy and a slowing of emigration to Australia.

Trade Me Property remains the most popular means for New Zealanders to find houses, with approximately three times the audience of our nearest competitor. In July 2014 we modified the approach to agent pricing that we'd rolled out from November 2013 and opted to provide agents with more choice and flexibility. We've also been busy improving the utility we offer over the past year, and have added valuable features like school zones and boundary information.

In our **Other** segment, revenue grew 3 per cent year-on-year. On a like-for-like basis (excluding both Treat Me and LifeDirect), revenue in this segment grew by 5 per cent over the corresponding period in F13. We've been especially happy with our LifeDirect acquisition, and it has written 69 per cent more insurance policies than last year.

Our **expenses** were up 26 per cent year-on-year. This is a substantial increase in costs, but necessary for us to convert on opportunities and ensure we position Trade Me for the longer term. The main contributors to this increase included new staff costs (primarily to speed up our product development, plus the additions of the LifeDirect and MotorWeb teams) and advertising.

Acquisitions

In September 2013 we finalised the acquisition of **LifeDirect**, an online aggregator of life and health insurance. As noted above, the business has performed very well.

In December 2013, we acquired MotorWeb, an online business that packages and sells motor vehicle information and reports to finance companies, insurers, car dealers and the general public. **MotorWeb** has also lived up to our expectations, has great growth prospects and is also contributing to our Trade Me Motors business.

Mobile

Mobile and tablet usage continue to be huge for Trade Me. In July 2014, for the first time ever, more sessions on Trade Me took place via our touch site and native applications than via our 'main' desktop site. This follows on from the January 2014 milestone when more than half of all sessions to Trade Me's official pages and apps were via a mobile device.

We've continued to build our suite of mobile offerings to ensure we deliver our members a great mobile experience. Major releases in F14 included:

- new iPhone app for Trade Me Jobs;
- overhauled iPhone and Android apps for Trade Me; and
- improved iPhone and iPad apps, plus a new Windows 8 app for Trade Me Property.

People and places

We've strengthened the senior management team in F14 with several new hires including Head of Design, Head of Analytics, Head of FindSomeone and Head of Advertising. Nigel Jeffries took the reins of Trade Me Property in April 2014, and has recently joined the Executive team. Mike O'Donnell (COO and responsible for our General Items marketplace) departed Trade

Me in August 2014, to take up a role at a new Government agency. We wish him all the best after a huge, effulgent contribution to Trade Me over the past decade. We have a search under way for a new leader for this part of our business.

In July 2014, we consolidated our presence in Wellington with a move to a new building in Market Lane–previously we had teams in four different locations. The new building is an architectural representation of our informal but serious culture, with a hat-tip to Kiwiana. It's excellent having all our people together across three levels yet in a shared space. We also have offices in the Christchurch CBD, and in Parnell, Auckland. As at 1 August, we had 357 staff (334 FTEs).

Outlook

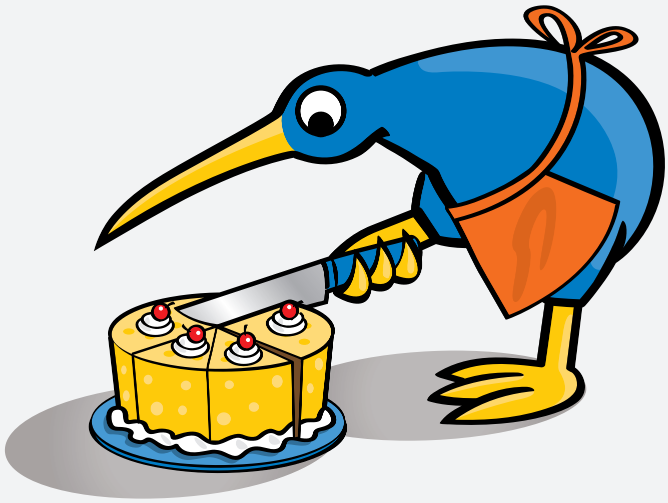
The period of reinvestment we signalled in our previous results will continue in F15. We expect to grow both revenue and EBITDA* over the coming year, but our focus will be on improving the products that we offer, and strengthening our sales and account management. We're investing to ensure stronger growth in the medium to long-term.

David Kirk
CHAIRMAN

Jon Macdonald
CEO

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

Consolidated financial statements



Statement of comprehensive income for the year ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
General items		64,792	65,496	–	–
Classifieds		85,591	69,708	–	–
Other		29,721	28,910	69,059	72,786
Total revenue	12	**180,104**	**164,114**	**69,059**	**72,786**
Employee benefit expense		(24,629)	(21,203)	–	–
Web infrastructure expense		(3,176)	(3,016)	–	–
Promotion expense		(7,360)	(2,750)	–	–
Other expenses		(16,220)	(13,683)	–	–
Total expenses	12	**(51,385)**	**(40,652)**	–	**–**
Earnings before interest, tax, depreciation and amortisation		**128,719**	**123,462**	**69,059**	**72,786**
Depreciation and amortisation	4, 10	(12,313)	(8,735)	–	–
Earnings before interest and tax		**116,406**	**114,727**	**69,059**	**72,786**
Finance income		1,915	1,926	–	–
Finance costs		(6,839)	(7,185)	(6,837)	(6,757)
Profit before income tax		**111,482**	**109,468**	**62,222**	**66,029**
Income tax expense	8	(31,371)	(30,872)	–	–
Profit and total comprehensive income for the year		**80,111**	**78,596**	**62,222**	**66,029**
Earnings per share					
Basic/diluted (cents per share)	7	**20.20**	19.84		

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

Statement of financial position as at 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
ASSETS					
Cash and cash equivalents	14.1	41,653	48,857	–	–
Trade and other receivables	9	11,775	9,004	1,481	2,436
Derivative financial instruments	14.3	101	–	101	–
Total current assets		**53,529**	**57,861**	**1,582**	**2,436**
Trade and other receivables	9	583	814	–	–
Derivative financial instruments	14.3	352	78	352	78
Property, plant and equipment	10	6,807	5,449	–	–
Intangible assets	4	804,515	776,375	–	–
Investment in subsidiary	11	–	–	1,235,622	1,235,622
Deferred tax asset	8	884	875	–	–
Total non-current assets		**813,141**	**783,591**	**1,235,974**	**1,235,700**
Total assets		**866,670**	**841,452**	**1,237,556**	**1,238,136**
LIABILITIES					
Trade and other payables	6	14,169	11,522	421	420
Derivative financial instruments	14	–	24	–	24
Income tax payable	8	7,659	6,953	–	–
Total current liabilities		**21,828**	**18,499**	**421**	**444**
Provisions	5.1	4,102	–	–	–
Interest-bearing loans and borrowings	6	165,784	165,858	165,784	165,858
Other non-current liabilities	6	484	29	–	–
Total non-current liabilities		**170,370**	**165,887**	**165,784**	**165,858**
Total liabilities		**192,198**	**184,386**	**166,205**	**166,302**
EQUITY					
Contributed equity	7	1,069,814	1,069,196	1,069,814	1,069,196
Share-based payment reserve	13	266	557	266	557
Other reserves		(485,737)	(485,737)	–	–
Retained earnings		90,129	73,050	1,271	2,081
Total equity attributable to owners of the Company		**674,472**	**657,066**	**1,071,351**	**1,071,834**
Total equity and liabilities		**866,670**	**841,452**	**1,237,556**	**1,238,136**

For and on behalf of the Board of Directors, who authorised these financial statements for issue on 19 August 2014:

David Kirk
CHAIRMAN

David Kirk

Joanna Perry
CHAIR OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Joanna Perry

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

Statement of changes in equity for the year ended 30 June 2014

Group	Note	Ordinary shares $'000	Share-based payment reserve $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 July 2012		**1,069,051**	**200**	**55,065**	**(485,737)**	**638,579**
Profit for the year and total comprehensive income		–	–	78,596	–	78,596
Dividends paid	7	–	–	(60,611)	–	(60,611)
Supplementary dividends		–	–	(5,390)	–	(5,390)
Tax credit on supplementary dividends		–	–	5,390	–	5,390
Share-based payments	13	–	357	–	–	357
Shares issued to employees	7	145	–	–	–	145
As at 30 June 2013		**1,069,196**	**557**	**73,050**	**(485,737)**	**657,066**
Profit for the year and total comprehensive income		–	–	80,111	–	80,111
Dividends paid	7	–	–	(63,032)	–	(63,032)
Supplementary dividends		–	–	(8,160)	–	(8,160)
Tax credit on supplementary dividends		–	–	8,160	–	8,160
Share-based payments	13	618	(291)	–	–	327
As at 30 June 2014		**1,069,814**	**266**	**90,129**	**(485,737)**	**674,472**

Company	Note	Ordinary shares $'000	Share-based payment reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 July 2012		**1,069,051**	**200**	**(3,337)**	**1,065,914**
Profit for the year and total comprehensive income		–	–	66,029	66,029
Dividends paid	7	–	–	(60,611)	(60,611)
Supplementary dividends		–	–	(5,390)	(5,390)
Tax credit on supplementary dividends		–	–	5,390	5,390
Share-based payments	13	–	357	–	357
Shares issued to employees	7	145	–	–	145
As at 30 June 2013		**1,069,196**	**557**	**2,081**	**1,071,834**
Profit for the year and total comprehensive income		–	–	62,222	62,222
Dividends paid	7	–	–	(63,032)	(63,032)
Supplementary dividends		–	–	(8,160)	(8,160)
Tax credit on supplementary dividends		–	–	8,160	8,160
Share-based payments	13	618	(291)	–	327
As at 30 June 2014		**1,069,814**	**266**	**1,271**	**1,071,351**

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

Statement of cash flows
for the year ended 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000
Operating activities			
Profit before tax from continuing operations		111,482	109,468
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment		2,852	2,787
Amortisation of intangible assets		9,461	5,948
Share-based payment expense		639	776
Doubtful debts expense		415	260
Loss/(gain) on disposal of property, plant and equipment		29	(890)
Finance costs		6,839	7,185
Other		(35)	(236)
Working capital adjustments:			
Increase in trade and other receivables and prepayments		(2,251)	(3,098)
Increase in trade and other payables		920	489
Income tax paid		(22,514)	(27,525)
Net cash flows from operating activities		**107,837**	**95,164**
Investing activities			
Purchase of property, plant and equipment		(4,087)	(3,490)
Payment for purchase of intangibles		(9,350)	(5,964)
Business acquisition	5	(23,500)	(3,327)
Proceeds from disposal of business		400	350
Net cash flows (used in) investing activities		**(36,537)**	**(12,431)**
Financing activities			
Dividends paid		(71,192)	(66,000)
Interest paid on borrowings (including facility fees)		(7,312)	(7,011)
Net cash flows (used in) financing activities		**(78,504)**	**(73,011)**
Net increase (decrease) in cash and cash equivalents		(7,204)	9,722
Cash and cash equivalents at beginning of period		48,857	39,135
Cash and cash equivalents at end of period		**41,653**	**48,857**

Company

There are no cash flows for the Company.

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

Notes to the financial statements for the year ended 30 June 2014

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

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group').

The nature of the operations and principal activities of the Group is to operate and manage all Trade Me websites, including online marketplace, classifieds, advertising, insurance comparison, travel, holiday accommodation and online dating.

2 Basis of accounting

2.1 Basis of preparation

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

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

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

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

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

2.2 Presentational change to the statement of cash flows

The Group changed the method of reporting cash flows from operating activities from the direct method to the indirect method. Comparative amounts have also been reclassified for consistency.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. This requires management to estimate the future cash flows expected to arise from the Group's cash-generating units and a suitable discount rate. Refer note 4. The provision for contingent consideration relating to the LifeDirect acquisition requires judgement around the probability and quantum of payment. Refer note 5.1.

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

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

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

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

New standards, amendments and interpretation

There are no new standards or amendments that have been issued and effective, or not yet effective, that are expected to have a significant impact on the Company or the Group.

The Company and Group have not adopted any standards prior to their effective date.

3 Segment reporting

Segment revenue, EBITDA* and reconciliation to overall result

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

	Revenue		EBITDA	
Operating segments	2014 $'000	2013 $'000	2014 $'000	2013 $'000
General items	64,792	65,496	50,817	51,910
Classifieds	85,591	69,708	62,857	55,962
Other	29,721	28,910	15,045	15,590
Total revenue	**180,104**	**164,114**	**128,719**	**123,462**
Reconciliation to overall result				
Depreciation and amortisation			(12,313)	(8,735)
Finance income			1,915	1,926
Finance costs			(6,839)	(7,185)
Profit before income tax			**111,482**	**109,468**

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

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 revenue has been excluded from the above segment results (2013: nil).

The Group operates almost entirely within New Zealand and derived no material revenue from foreign countries during the year (2013:nil).

Identification of reportable segments

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

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

The Group's reportable segments are as follows:

General items

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

Classifieds

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

Other

The other segment reflects all other businesses, including advertising, travel, holiday houses, online dating, Pay Now and online insurance comparison.

4 Intangible assets

	Goodwill $'000	Brand $'000	Software $'000	Development $'000	Other $'000	Total $'000
30 June 2013	**730,703**	**32,696**	**6,451**	**6,410**	**115**	**776,375**
30 June 2014	**746,602**	**32,696**	**11,782**	**11,991**	**1,444**	**804,515**

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

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. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Impairment testing

Goodwill and brand are not amortised, but instead tested for impairment annually. At each reporting date the Group assesses whether there is any indication that other intangible assets 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

At balance date, there were no indications that any intangible assets were impaired.

4.1 Goodwill and brand

	Note	Goodwill $'000	Brand $'000	Total $'000
Balance at 1 July 2012		**729,724**	**32,691**	**762,415**
Additions		1,469	5	1,474
Disposals		(490)	–	(490)
Balance at 30 June 2013		**730,703**	**32,696**	**763,399**
Additions	5	15,899	–	15,899
Balance at 30 June 2014		**746,602**	**32,696**	**779,298**

Allocation of goodwill to cash-generating units

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on the Group's operating segments determined in accordance with NZ IFRS 8 Segment Reporting.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Brand is not separately allocated to cash-generating units.

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

	Goodwill allocation to CGU	
Cash-generating unit group ('CGU')	2014 $'000	2013 $'000
General items	295,663	295,663
Classifieds	367,616	355,806
Other	83,323	79,234
	746,602	**730,703**

The recoverable amounts for the 'General items', 'Classifieds' and 'Other' cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on the 2015 financial budgets approved by the directors extrapolated over a four-year period, discount rates of between 13%–17% per annum and a terminal growth rate of 2%. Management has also considered the Group's market capitalisation when performing the impairment assessment.

The calculations, which are applied consistently against the 'General items', 'Classifieds' and 'Other' cash-generating units, confirmed that there was no impairment of goodwill or brand during the year (2013: nil). Management believe that any reasonable possible change in the key assumptions, including an increase in the discount rate applied or a reduction in future growth rates, would not cause the carrying amount to exceed its recoverable amount.

4.2 Other intangible assets

Amortisation and disposal

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

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

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.

Group	Note	Software $'000	Development $'000	Other $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2012		**9,883**	**5,960**	**376**	**16,219**
Additions		865	5,174	–	6,039
Acquisition as part of business combination		2,157	18	–	2,175
Disposals		(75)	(3,225)	–	(3,300)
Balance at 30 June 2013		**12,830**	**7,927**	**376**	**21,133**
Additions		1,268	8,362	–	9,630
Acquisition as part of business combination	5	10,454	–	1,618	12,072
Disposals		–	(631)	–	(631)
Balance at 30 June 2014		**24,552**	**15,658**	**1,994**	**42,204**
Accumulated amortisation					
Balance at 1 July 2012		**(2,270)**	**(2,783)**	**(182)**	**(5,235)**
Disposals		–	3,026	–	3,026
Amortisation		(4,109)	(1,760)	(79)	(5,948)
Balance at 30 June 2013		**(6,379)**	**(1,517)**	**(261)**	**(8,157)**
Disposals		–	631	–	631
Amortisation		(6,391)	(2,781)	(289)	(9,461)
Balance at 30 June 2014		**(12,770)**	**(3,667)**	**(550)**	**(16,987)**
Net book value					
Balance at 30 June 2013		**6,451**	**6,410**	**115**	**12,976**
Balance at 30 June 2014		**11,782**	**11,991**	**1,444**	**25,217**

5 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a controlled entity is the fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

5.1 LifeDirect acquisition

On 13 September 2013 the Group purchased LifeDirect, an online insurance premium quoting comparison and application business. The business was acquired via an asset purchase and was acquired to further grow the Group's 'other' business segment.

Assets and liabilities acquired at the date of acquisition	$'000
Software	2,654
Customer list	1,618
Other	41
Revenue in advance	(300)
Goodwill	4,089
Total identifiable net assets and liabilities attributable to the Company	**8,102**
Satisfied by	
Cash paid on acquisition date	4,000
Fair value of contingent consideration to be paid in September 2015 and 2016	4,102
Fair value of consideration	**8,102**

Revenue contributed by LifeDirect for the period ended 30 June 2014 was $2.9 million, while EBITDA was immaterial. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included additional revenue of $0.9 million, while the additional EBITDA would have been immaterial.

Under the terms of the acquisition agreement, the Group must pay the former owners of LifeDirect two additional cash payments based on meeting revenue and EBITDA targets in the years ending 31 August 2015 and 31 August 2016. The range of undiscounted payments in respect of the year ending 31 August 2015 is $0 – $4.5 million, and the payment in respect of the year ending 31 August 2016 is tied to revenue and is uncapped.

The fair value of the provision for contingent consideration has been determined using the present value of a weighted average range of possible earn out payments based on the Group's assessment of the probability of achieving each of the revenue and EBITDA targets within the range. The discount rate used is 5.37%. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

If the probabilities of reaching the revenue targets in the upper half of the range of possible payment hurdles were increased by 5% and those in the lower half decreased by 5%, it would increase the fair value of the contingent consideration by $0.5 million. If the converse was applied, it would reduce the contingent consideration by $0.5 million. The provision has been reassessed at balance date and no change has been made as a result.

Acquisition-related costs included in other expenses in the statement of comprehensive income were immaterial.

5.2 MotorWeb acquisition

On 20 December 2013 the Group purchased MotorWeb, an online vehicle information service. The business was acquired via a combination of asset and 100% share purchases and was acquired to complement and strengthen the Group's 'Motors' business.

Assets and liabilities acquired at the date of acquisition	$'000
Software	7,800
Property, plant and equipment	71
Other	(101)
Trade and other payables	(80)
Goodwill	11,810
Total identifiable net assets and liabilities attributable to the Company	**19,500**
Satisfied by	
Cash paid on acquisition date	19,500
Fair value of consideration paid	**19,500**

Revenue contributed by MotorWeb for the period ended 30 June 2014 was $4.9 million, while EBITDA was $2.9 million. Had the acquisition occurred at the beginning of the reporting period, the consolidated income statement would have included additional revenue and EBITDA of $4.2 million and $2.2 million respectively.

Goodwill arising from the two acquisitions includes synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Group. The acquired workforces and future growth opportunities are also key factors contributing to the goodwill acquired during the reporting period. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs included in other expenses in the statement of comprehensive income were immaterial.

5.3 Tradevine Limited, and Baches and Holiday Homes to Rent Limited acquisition

In the prior period the Company gained control over two businesses, Tradevine and Holiday Homes, for $3.3 million.

Disposals

In the prior period the Group sold the Treat Me business. Consideration received included cash and secured vendor financing. The transaction was not significant and had no material impact on the prior period financial statements.

6 Liabilities and other commitments

Trade and other payables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	5,503	3,155	–	–
Accrued expenses	5,258	5,685	421	420
Revenue in advance	2,008	1,685	–	–
Employee entitlements	1,400	997	–	–
	14,169	**11,522**	**421**	**420**

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

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

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

Interest-bearing loans and borrowings

The Commonwealth Bank of Australia had provided a $200 million revolving cash advance loan facility to the Group, of which $166 million was drawn down as at 30 June 2013. During the year ended 30 June 2014, the Group cancelled the undrawn facility and refinanced the lending through syndication as follows:

Lender	Balance $'000	Maturity date
Commonwealth Bank of Australia	116,000	11–Sep–16
Westpac Banking Corporation	50,000	11–Sep–16
Loan establishment costs	(216)	
Total	**165,784**	

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 reset every 90 days to BKBM plus a margin.

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 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:

	2014 $'000	2013 $'000
Within one year	2,616	1,301
Later than one year but not later than five years	6,790	6,935
Later than five years	5,757	6,563
	15,163	**14,799**

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 in the liability.

(b) Capital commitments

The Company and the Group have no capital commitments as at 30 June 2014 (2013: nil).

Contingent liabilities

The Company and the Group have no contingent liabilities as at 30 June 2014 (2013: nil).

7 Share information

Movement in total shares on issue	Company and Group 2014 000's	Company and Group 2013 000's
Balance at beginning of period	**396,311**	**396,000**
Issue of restricted shares	280	274
Issue of ordinary shares	–	37
Cancellation of restricted shares	(6)	–
Balance at end of period	**396,585**	**396,311**
Comprised of		
Restricted shares	516	529
Ordinary shares	**396,069**	**395,782**

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:

	Group 2014	Group 2013
Earnings used for the calculation of basic and diluted earnings ($'000)	80,111	78,596
Weighted average number of shares on issue (000's)	396,495	396,232
Basic and diluted earnings per share (cents)	20.20	19.84

Basic earnings per share amounts are calculated by dividing the Group 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

		Company and Group 2014 $'000	Company and Group 2013 $'000
Final dividend for 2012	at 7.8 cents per share		30,888
Interim dividend for 2013	at 7.5 cents per share		29,723
Final dividend for 2013	at 8.3 cents per share	32,894	
Interim dividend for 2014	at 7.6 cents per share	30,138	
Dividends declared and proposed after reporting date, but not recorded as a liability in these financial statements: 8.4 cents per share		33,313	

8 Tax

Income tax recognised in profit or loss	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Tax expense comprises:				
Current tax charge	31,380	30,923	(1,915)	(1,892)
Deferred tax relating to the origination and reversal of temporary differences	(9)	(51)	1,915	1,892
Total tax charge	**31,371**	**30,872**	**–**	**–**

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

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Profit before income tax	111,482	109,468	62,222	66,029
Income tax expense calculated at 28%	31,215	30,651	17,422	18,488
Non-deductible expenses	91	165	–	–
Non-assessable income	–	–	(19,337)	(20,380)
Other	65	56	1,915	1,892
	31,371	**30,872**	**–**	**–**

Imputation credit account	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Imputation credits available for use in subsequent periods	**14,282**	**6,983**	–	–

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 post balance date. The actual imputation credits available at balance date as determined by the Income Tax Act 2007 are $6,678,000 (2013: $751,000)

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

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

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

9 Trade and other receivables

Current assets	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables	10,129	5,912	–	–
Provision for doubtful debts	(383)	(131)	–	–
Amounts due from related parties	–	–	1,481	2,436
Other	2,029	3,223	–	–
	11,775	**9,004**	**1,481**	**2,436**
Non-current assets				
Loans receivable	583	814	–	–

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 ongoing 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.

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

10 Property, plant and equipment

Group	Note	Motor vehicles $'000	Computer equipment $'000	Plant and equipment $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2012		**145**	**12,493**	**1,452**	**14,090**
Additions		10	3,461	478	3,949
Acquisition as part of business combination		–	39	19	58
Disposals		(77)	(1,099)	(43)	(1,219)
Balance at 30 June 2013		**78**	**14,894**	**1,906**	**16,878**
Additions		1	1,905	2,253	4,159
Acquisition as part of business combination	5	–	41	71	112
Disposals		–	(68)	(20)	(88)
Balance at 30 June 2014		**79**	**16,772**	**4,210**	**21,061**
Accumulated depreciation					
Balance at 1 July 2012		**(68)**	**(9,027)**	**(653)**	**(9,748)**
Disposals		39	1,026	41	1,106
Depreciation		(26)	(2,567)	(194)	(2,787)
Balance at 30 June 2013		**(55)**	**(10,568)**	**(806)**	**(11,429)**
Disposals		–	25	2	27
Depreciation		(9)	(2,593)	(250)	(2,852)
Balance at 30 June 2014		**(64)**	**(13,136)**	**(1,054)**	**(14,254)**
Net book value					
Balance at 30 June 2013		**23**	**4,326**	**1,100**	**5,449**
Balance at 30 June 2014		**15**	**3,636**	**3,156**	**6,807**

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

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:

- Plant and equipment 8%–21%
- Computer equipment 20%–40%
- 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 2014	Ownership interests and voting rights 2013
Trade Me Limited	Operate and manage all Trade Me platforms	New Zealand	100%	100%
Old Friends Limited	Non-trading	New Zealand	100%	100%
TMG Trustee Limited	Non-trading	New Zealand	100%	100%
Trade Me Comparisons Limited	Online insurance comparison	New Zealand	100%	100%
MotorWeb Australia Pty Limited	Online vehicle data services	Australia	100%	n/a
Kevin's Australian Investments Pty Limited	Holding company	Australia	100%	n/a

12 Revenue and expenses

Other expenses

Other expenses include:

Remuneration of the auditors	Group 2014 $'000	Group 2013 $'000
Audit of annual financial statements	102	105
Review of interim (half-year) financial statements	43	42
Preparation of greenhouse gas emissions reporting ('CarboNZero')	–	7
Total remuneration paid or payable to EY	**145**	**154**
Rent	1,436	1,362

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.

Member income

Income from members is recognised when either:

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

Other service income

The Group recognises income from customers other than member accounts 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.

Dividends

All 'Other' revenue shown in the Company's separate financial statements comprises dividends received from the Company's subsidiaries and is recognised when the right to receive payment is established.

13 Compensation of management personnel

13.1 Key management personnel

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

	Group	
	2014 $'000	2013 $'000
Short-term benefits	3,264	2,778
Share-based payments	334	342
Total compensation	**3,598**	**3,120**

13.2 Share-based payment plans

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

Equity-settled employee share plans

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

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

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

On 1 January 2014 the post IPO plan vested as follows:

Payment plan reference	Grant date	Shares granted	Shares forfeited	Restricted shares converted to ordinary shares	Vesting date
Post IPO plan	13–Dec–11	292,986	6,110	286,876	31–Dec–13

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

Payment plan reference	Grant date	Shares granted	Weighted average issue price	Weighted average fair value	Vesting date
FY 13 plan (tranche 1)	1–Oct–12	62,732	$3.97	$2.14	30–Sep–14
FY 13 plan (tranche 2)	1–Oct–12	188,193	$3.97	$2.14	30–Sep–15
FY 14 plan	1–Oct–13	265,106	$4.45	$2.43	30–Sep–16

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

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

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

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

If the growth rate of the Group's earnings per share equals or exceeds a compound annual rate over the 2 or 3 financial years ending on 30 June prior to the end of the vesting period of 12% per annum, then 100% of the shares will vest. For performance between 8% and 12% per annum, vesting will occur on a straight-line basis so that 50% of the shares vest for performance at 8%, and full vesting will occur for performance at 12%. No shares will vest if the performance return is below 8% per annum or the participant is not in continuous employment at this date.

Plan modifications or changes

There have been no cancellations of or modifications to the plans during 2014 and 2013.

The Group expense recognised in the current period was $0.6 million (2013: $0.7 million), with a corresponding liability for PAYE of $0.3 million (2013: $0.3 million) and an increase in equity of $0.3 million (2013:$0.4 million).

14 Financial instruments

14.1 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short-term deposits with an original maturity of greater than three months are also included within cash and cash equivalents if the term deposit can be terminated at an earlier date without incurring penalties. Cash and cash equivalents includes term deposits of $24 million (2013: $35 million).

14.2 Derivative financial instruments

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

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 BKBM plus a margin. The Group's treasury policy allows the use of derivative financial instruments to manage interest rate risk. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at floating rates and pay interest at fixed rates, where cumulative net settlement of interest is payable or receivable quarterly. Swaps in place cover $90 million (2013:$60 million) of the principal outstanding and mature over a three-year period.

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

	Company and Group	
	2014 $'000	2013 $'000
0–1 years	20,000	20,000
1–2 years	20,000	20,000
2–3 years	50,000	20,000
	90,000	**60,000**
Fair value interest rate swaps		
Current portion	101	(24)
Non-current portion	352	78

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

	2014 $'000	2013 $'000
Cash and cash equivalents	41,653	48,857
Interest-bearing loans and borrowings	(166,000)	(166,000)
Loans receivable	583	1,210
Interest rate swaps	453	54

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 2014 would have decreased/increased by $0.5 million (2013: $0.3 million).

Credit risk

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

30 June 2014	AA– and above $'000	Not rated $'000
Cash and cash equivalents	41,653	–
Trade receivables	–	9,746
Loans receivable	–	583

30 June 2013	AA– and above $'000	Not rated $'000
Cash and cash equivalents	48,857	–
Trade receivables	–	5,781
Loans receivable	–	1,210

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

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

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

The loans receivable are secured by 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 Company and Group's remaining contractual maturity of their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted cash flows are derived from the interest rate at 30 June.

Group	Less than 6 months $'000	6–12 months $'000	1–3 years $'000	Total $'000
2014				
Trade and other payables	14,169	–	484	14,653
Borrowings	3,884	3,884	175,301	183,069
	18,053	**3,884**	**175,785**	**197,722**
2013				
Trade and other payables	11,522	–	29	11,551
Borrowings	3,229	3,229	169,229	175,687
	14,751	**3,229**	**169,258**	**187,238**

Company	Less than 6 months $'000	6–12 months $'000	1–3 years $'000	Total $'000
2014				
Trade and other payables	421	–	–	421
Borrowings	3,884	3,884	175,301	183,069
	4,305	**3,884**	**175,301**	**183,490**
2013				
Trade and other payables	420	–	–	420
Borrowings	3,229	3,229	169,229	175,687
	3,649	**3,229**	**169,229**	**176,107**

Fair values

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

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

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

Derivative financial instruments are classified as level 2.

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

15 Events after the reporting period

Other than the final dividend disclosed in note 7, there have been no events after 30 June 2014 that require disclosure in these financial statements.

Chartered Accountants

Independent Auditor's Report

To the Shareholders of Trade Me Group Limited

Report on the Financial Statements

We have audited the financial statements of Trade Me Group Limited and its subsidiaries on pages 6 to 30, which comprise the statement of financial position of Trade Me Group Limited and the group as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Chartered Accountants

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

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

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Opinion

In our opinion, the financial statements on pages 6 to 30:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Trade Me Group Limited and the group as at 30 June 2014 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

Ernst + Young

19 August 2014
Wellington