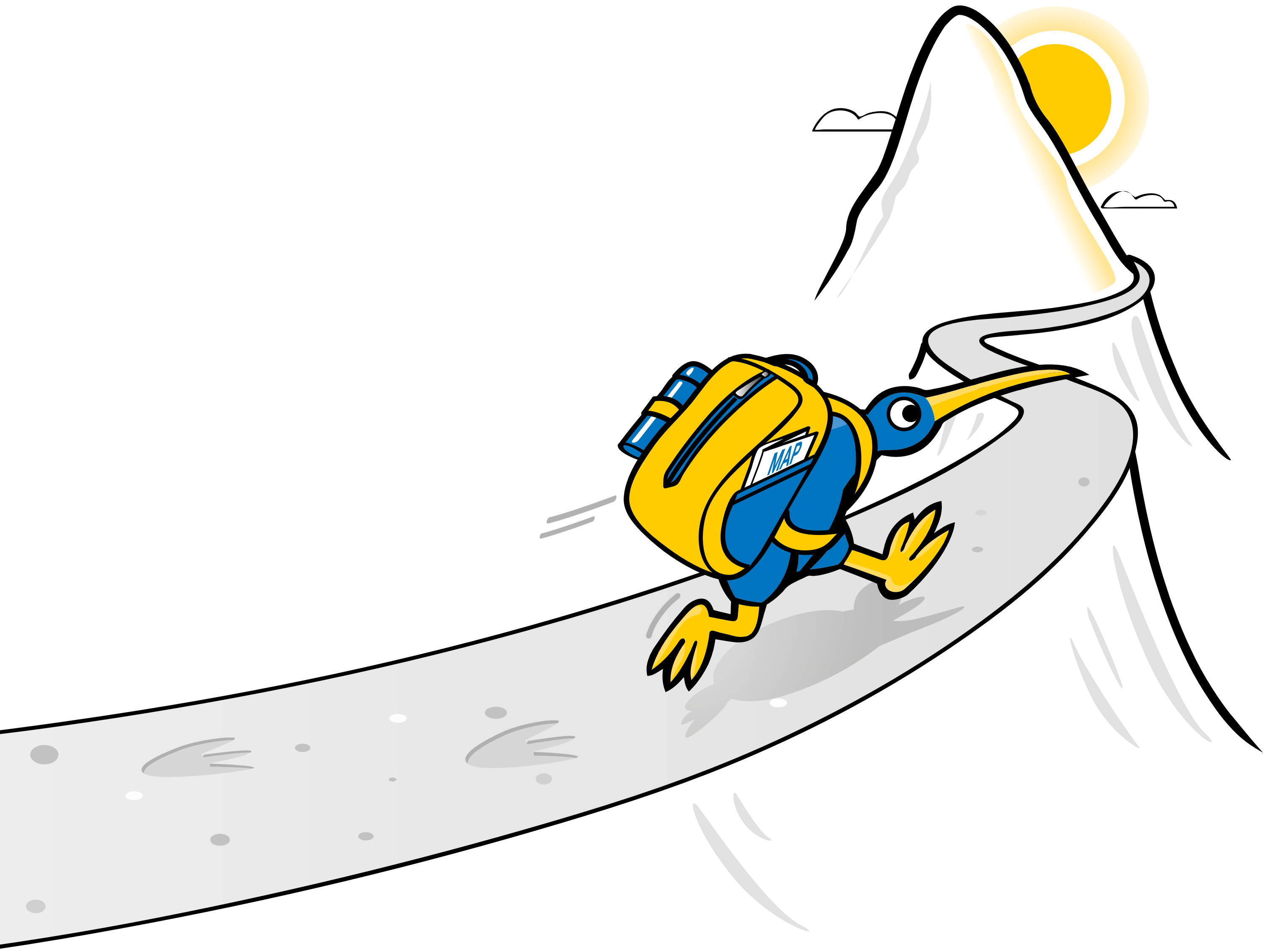


Trade Me Group Limited

Annual Report | 2012

The first annual shareholder meeting of Trade Me Group

This will kick off at 4pm on Tuesday 30 October 2012 at Mac's Function Centre, 4 Taranaki Street, Wellington (www.macsfunctioncentre.co.nz).

The notice of meeting and agenda will be sent to shareholders by 1 October 2012.

This report is dated 24 September 2012 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 on Trade Me Group for the year ended 30 June 2012, please visit the Trade Me investor relations website at investors.trademe.co.nz

Table of contents

Jargon buster

ASX	Australian Securities Exchange
EBITDA	Probably the best accounting acronym, and means earnings before interest, tax, depreciation and amortisation
F11	The financial year for the 12 months to 30 June 2011
F12	The financial year for the 12 months to 30 June 2012
F13	The financial year for the 12 months to 30 June 2013
Fairfax	Fairfax Media Ltd, the ASX-listed Australian company that owns 51% of Trade Me
IPO	An "initial public offering" is selling shares in a company to the public
Jargon	Technical words and acronyms that drive readers crazy and often need explaining
Kevin	The kiwi who stars in the Trade Me logo and famously dresses up on the homepage in various guises
NetHui	An annual conference for people in and around the internet in NZ
NPAT	Net profit after tax
NZICA	New Zealand Institute of Chartered Accountants
NZX	New Zealand Stock Exchange
Offer Price	The price of shares at listing, and for the record that was $2.70 for Trade Me
TME	Trade Me's stock ticker
Trade Me	In this report, this generally refers to the company called Trade Me Group Limited, as opposed to the marketplace website called www.trademe.co.nz
WDCNZ	An annual conference for web developers
Webstock	An annual conference for everyone interested in the web

Highlights

Highlight 1 | 2012

Introducing TME

Trade Me Group has 6227 shareholders

Back in 1999, Sam Morgan founded Trade Me believing a website would be more efficient for trading than the previous established models like newspaper classifieds. Thirteen years later, Trade Me has become the place where Kiwis buy and sell online.

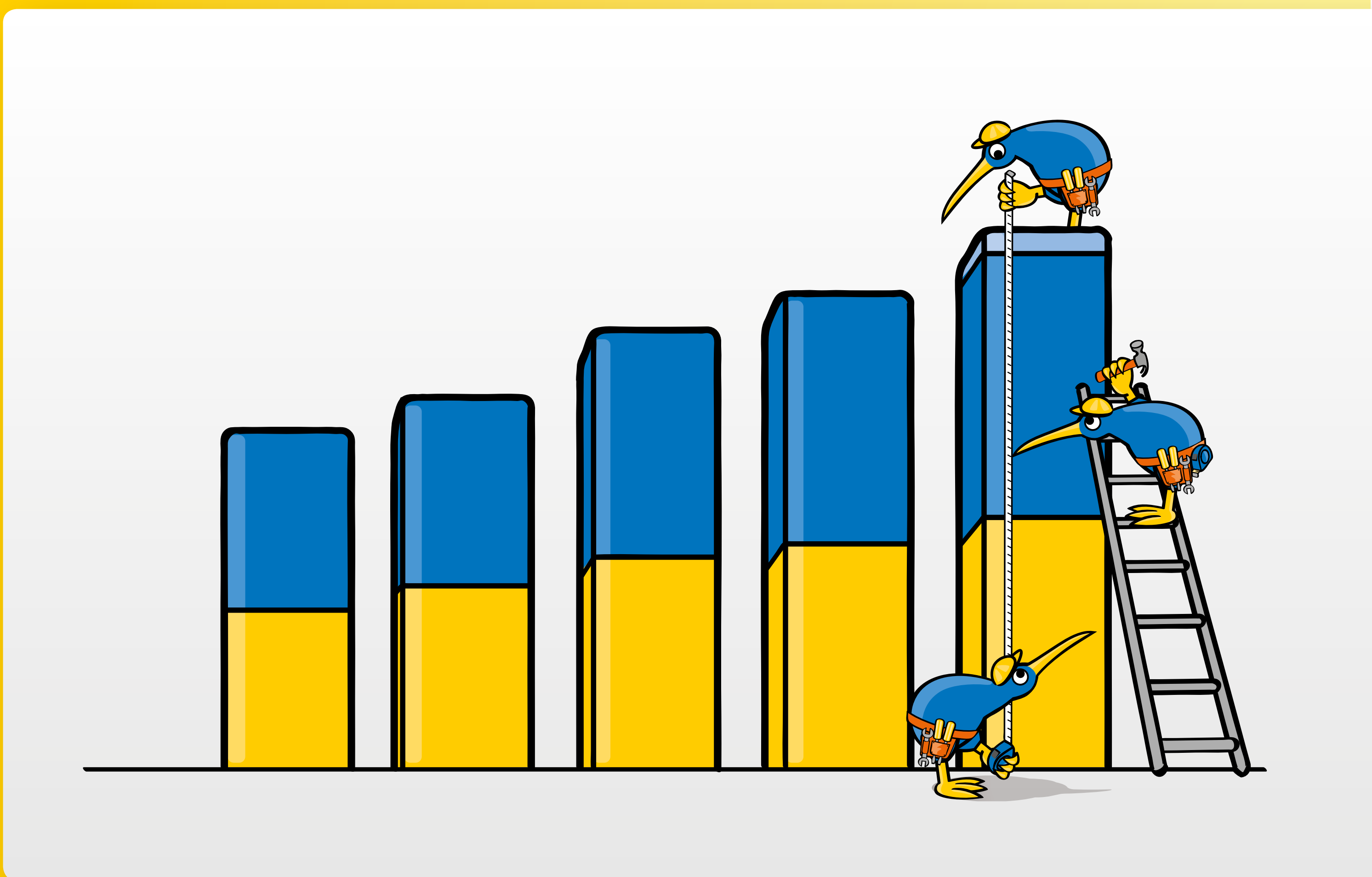
Trade Me is the leading online marketplace and classified advertising platform in NZ, with auctions and fixed price sales for new and used goods, as well as automotive, real estate and employment businesses. It also has web businesses specialising in accommodation, dating and group buying.

Trade Me connects people and businesses across its diverse portfolio of websites, and provides them with the information and tools to help them undertake a transaction. It aims to place the consumer at the heart of a transaction and has designed the Trade Me platform to focus on meeting the needs of its users in a way that is trusted, effective, and good value.

On 13 December 2011, Trade Me Group Ltd became a stand-alone public company listed on the NZX and the ASX under the ticker "TME", and shares officially began trading at 12 noon. This followed the initial public offering which saw 134.6 million shares issued to new investors. In June 2012, our majority owner Fairfax Media Ltd sold down its stake in Trade Me from 66% to 51%.

Highlight 2 | 2012

A solid financial year



- EBITDA of $110.4m (up 11.3% on F11)
- Net profit after tax of $75.6m (up 8.4% on F11)
- Revenue of $142.5m (up 13.8% on F11)
- Earnings per share of 19.1 cents per share (up 8.4% on F11)
- Dividend of 7.8 cents per share

We were pleased to deliver our shareholders a good, solid financial result. Trade Me's overall performance was good, especially given the cautious state of the wider New Zealand economy.

We were pleased to hit the targets we set out in the prospectus in November 2011. The Trade Me team has worked hard to deliver earnings growth every year since 2001, and this year was no exception: EBITDA was up to a record high of $110.4m. Underlying growth, excluding the benefit of the AutoBase acquisition, was up 2% on what we forecast at IPO time.

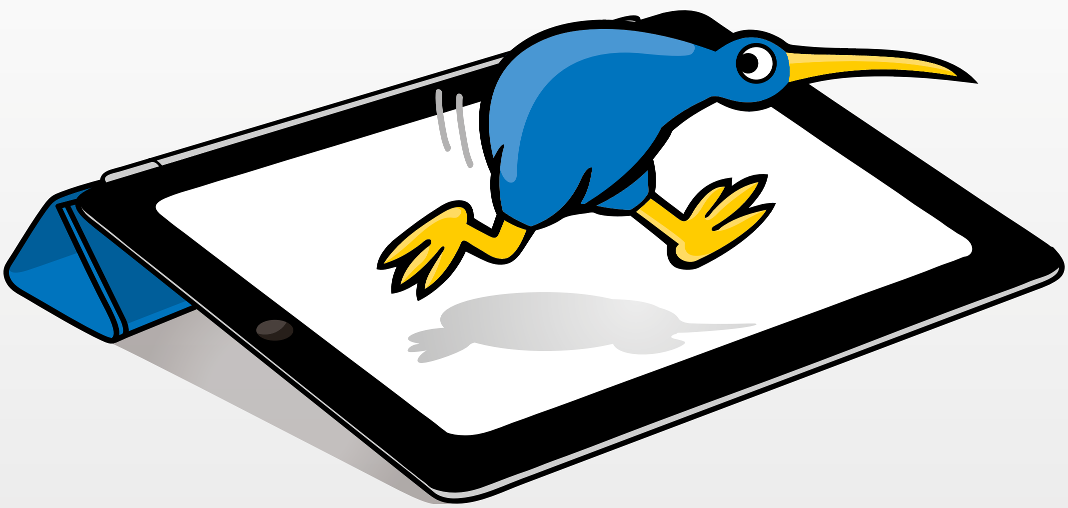
Our earnings growth continues to be underpinned by our diverse portfolio of businesses, and we're in a good position to take advantage of opportunities as Kiwis move more of their lives online.

There were no big surprises, with the core Trade Me marketplace tracking as expected. The best performers included our three classified advertising businesses – Trade Me Motors, Trade Me Property, and Trade Me Jobs. Our online dating business FindSomeone also had a good year, and continues to enjoy a reinvigoration under an entrepreneurial team.

Highlight 3 | 2012

Mobile on the rise

570,000 downloads of TME apps



This year we've been focused on doing a better job for our members around mobile: we've now got 11 smartphone/tablet applications and mobile-optimised websites across multiple platforms.

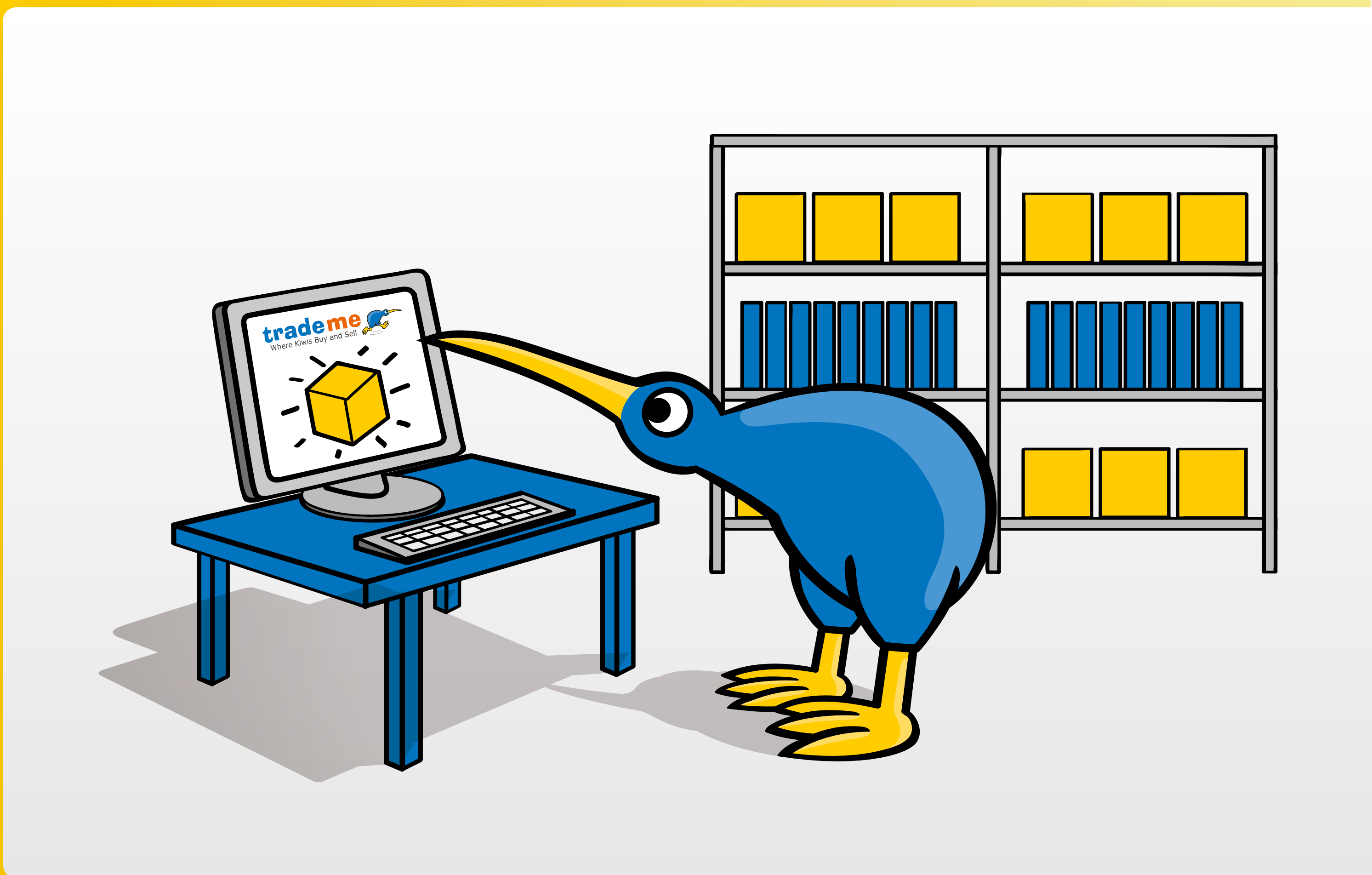
We've continued to see strong growth in mobile activity: it accounts for 8% of the total sales in our core marketplace and more than 1,000 items are listed on Trade Me via a mobile device every day.

The Trade Me iPhone app has now been downloaded a whopping 450,000 times and we've seen our Android app installed on more than 120,000 devices. We've recently released flash Trade Me Property iPad and iPhone applications and we have stacks of other mobile plans in store too.

Highlight 4 | 2012

Not (just) a garage sale

Over 40% of items sold on Trade Me are new



Trade Me is well-established as the place Kiwis go to buy and sell secondhand items online, but we see a great opportunity for us around new goods.

Our large audience of buyers is hungry for an expanded range of new items so we are working hard to build supply.

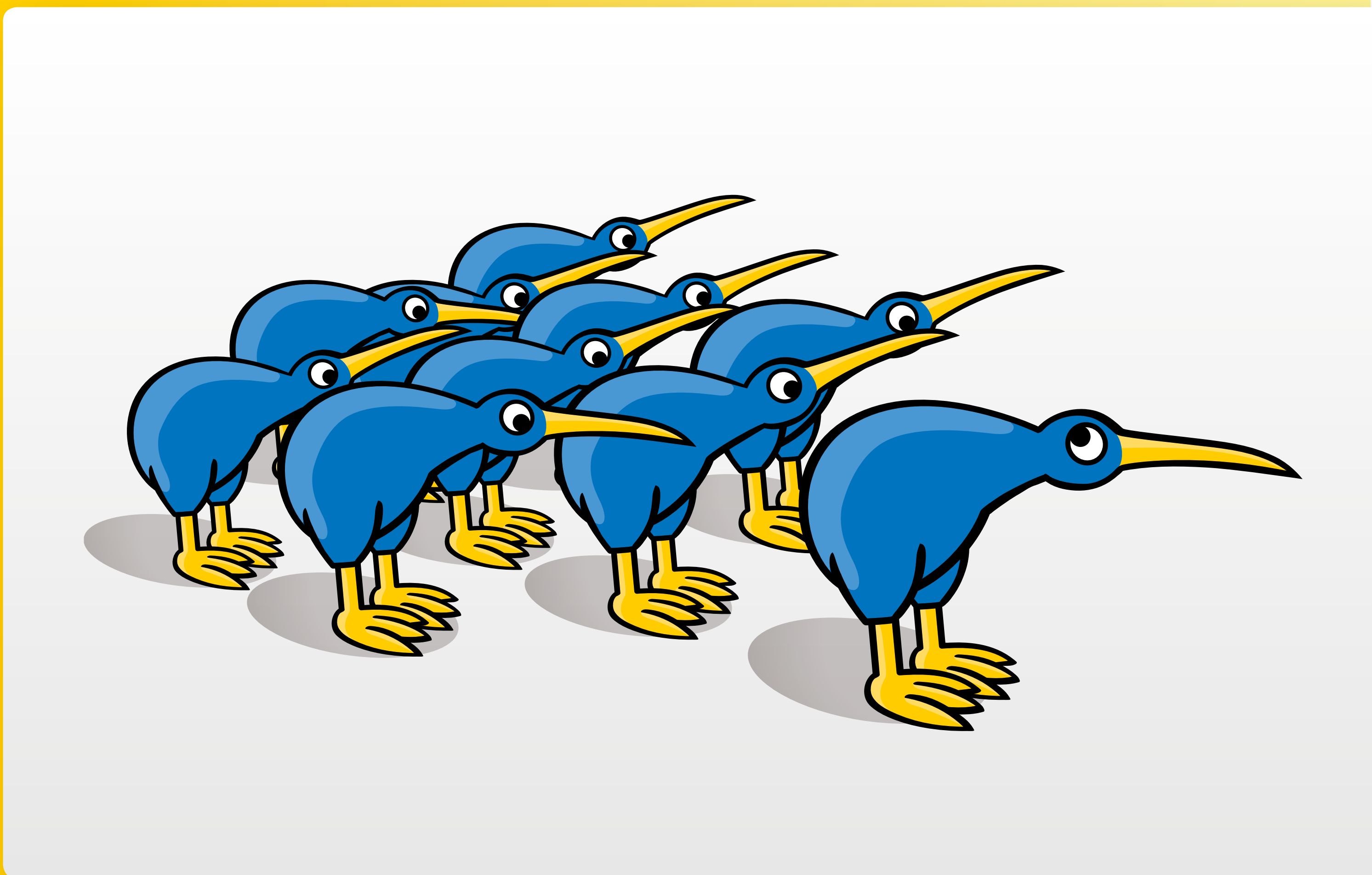
It was great to welcome well-known NZ retailers like Hallensteins, Glassons and The Warehouse onto the site this year. Back in April we announced a deal with global ecommerce platform provider ChannelAdvisor to facilitate the listings from a number of established offshore retailers, and the first live listings from this deal emerged in September.

Our post-F12 acquisition of small Christchurch start-up Tradevine added another piece to the new goods puzzle. Tradevine provides sellers with a slick, efficient way to list on Trade Me and is a nifty tool for retailers and suppliers wrangling things like merchandising, inventory and sales reporting. Sellers love it.

Highlight 5 | 2012

Our community: you rule!

21,000 message board posts every day



The Trade Me community continues to be a hotbed of creativity, entrepreneurialism, and Kiwi social commentary, best exemplified by the trio of auctions that joined our Top 10 "most viewed" list.

These were:

- **#3** **The Implosion:** Detonate the implosion of Radio Network House in Christchurch
- **#5** **Bum Tattoo:** Lower Hutt woman auctions off the chance to brand her backside with the logo of your choice
- **#9** **2 days in a studio with Neil Finn:** a great opportunity to jam with a Kiwi music legend

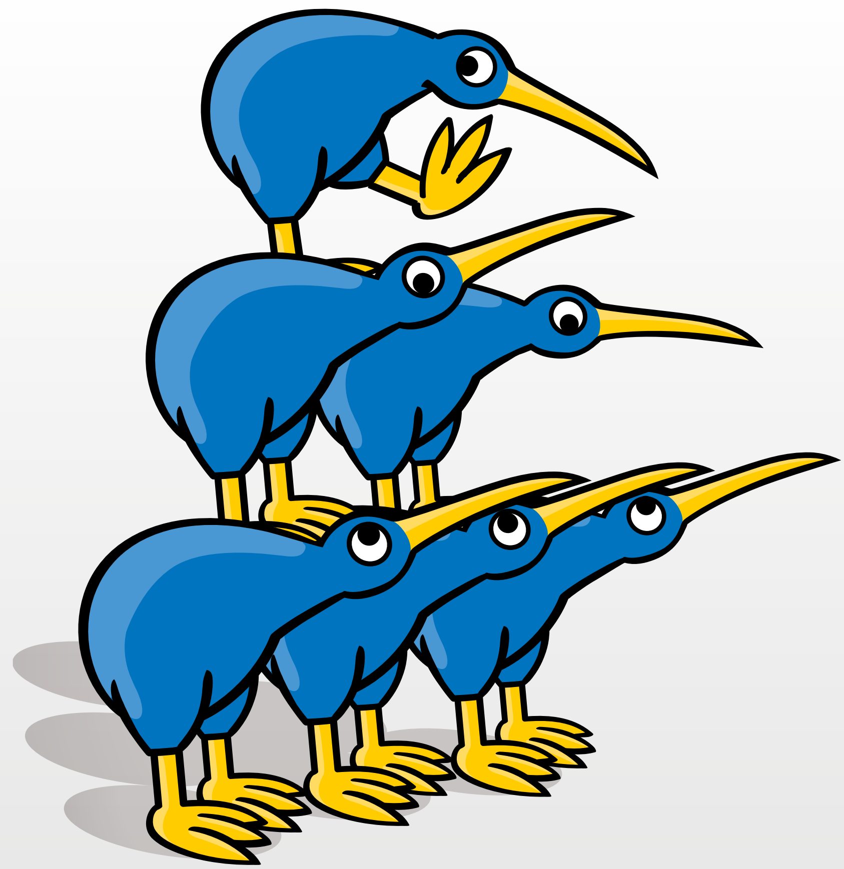
Elsewhere, we're really proud to work alongside great organisations like Plunket, Starship, and KidsCan. In May 2012 we also announced a new partnership with Kiwis For Kiwi.

Our sponsorships included support for Wellington Zoo, tech-related conferences Webstock, WDCNZ and NetHui, and pro bono projects like free public wifi in Christchurch and Wellington.

Highlight 6 | 2012

The back office

260 Trade Me staff



Shareholders will be pleased to see we've kept a tight rein on our expenses, which came in under budget.

We've grown our staff numbers in line with what we forecast and we now have 260 full-time staff.

We've planned ahead and secured accommodation to cater for our continued growth, including the lease of One Market Lane in Wellington, a new building we expect to set foot in by mid-2014.

We made two senior hires this year, with Mike DelPrete (strategy manager) and Jonathan Klouwens (CFO) joining our Exec team.

We made one material acquisition in F12, purchasing vehicle listing aggregator AutoBase in April 2012. This allowed us to consolidate the Trade Me Motors business line and means we have direct relationships with dealers, in much the same way as we operate our other classified businesses.

Member profiles

1. Mike from Stadium Cars

Member since 2009

Category: Motors

Mike runs the Trade Me account for Christchurch car dealership Stadium Cars. He often lists their quality cars at just $1 Reserve, which prompts a flurry of bidding and results in some great sales through the site.

However, when Mike recently listed a 1994 BMW for $1 Buy Now by accident, another member swooped in and hit the button. Stadium Cars good-naturedly accepted their mistake and went through with the deal anyway – probably losing a couple of grand, but earning their “good sports” motto and reputation.

Mike’s new motto? “No Buy Nows ;)”

2. Peter Thompson from Barfoot & Thompson

Member since 2008

Category: Property

Peter is the managing director of Barfoot & Thompson, one of New Zealand’s most popular real estate companies. The company started listing its properties on Trade Me Property in 2008.

“Listing properties online is a fundamental part of our marketing strategy,” says Peter. All Barfoot & Thompson’s properties are listed on Trade Me within 24 hours of hitting the market.

Peter says that featured properties drive the bulk of views and enquiries, and all their listings for auctions and tenders are now featured automatically. They also use the relatively new ‘Super Feature’ option, where properties appear at the top of relevant search results with bigger photos. “Featured property listings are good for the exposure of our brand online.”

3. James from TopmaQ

Member since 2007

Category: Many

TopmaQ is one of Trade Me's biggest sellers, with over 100,000 positive feedbacks left by buyers and 5,400 live listings across their four Trade Me Stores. The company launched in 1992, with retail shops in Christchurch, Auckland and Dunedin, and in 2007 they started listing on Trade Me.

They sell a huge range of equipment including machinery, power tools, automotive tools, hand tools, kitchen whiteware, building products, spa pools, material handling gear, pumps, hunting and storage equipment, and their goal is to provide high quality products at the best prices.

4. Joy from Joybells63

Member since 2004

Category: Home & Living, Antiques & Collectables, Crafts

Joy of Whanganui has over 2,000 positive comments on Trade Me from happy buyers who appreciate the little extra touches that come with her parcels, such as gift-wrapping. Here's some recent feedback: "Awesome, kind, caring trader who helps others and has a heart of gold."

"I've spent eight happy years on Trade Me, and made some lifelong friends," says Joy, who has an 'angel' reputation for fundraising online. She recently listed 170 auctions (including cards and seeds) to help a widowed father of six afford an eight-seater vehicle. The target was reached within a week, and the family now owns a Toyota Estima.

Joy's 11-year-old son is a Trade Me whiz in his own right (under Joy's guidance, of course, being seven years shy of having his own membership). They're pictured together, wearing outfits won on Trade Me.

5. David from Hallensteins

Member since 2012

Category: Clothing

Hallensteins is one of New Zealand's most iconic fashion brands (they've been selling menswear since the late 1800s), and in April 2012 they joined Trade Me.

"We wanted to be where our customers are," explains David Malcolm, the e-commerce manager at Hallensteins. "Trade Me has a large number of people looking to buy men's clothing – so it makes sense for us to give them the option to buy directly from Hallenstein Brothers."

Hallensteins aims for repeat customers, and they make sure buyers are satisfied by offering free delivery within NZ. Some of their listings also include a new feature offered to companies with Trade Me Stores: 'virtual catwalk' videos of models wearing the clothes.

6. Alfred from Junkstyle

Member since 2011

Category: Antiques & Collectables

Alfred has been selling pre-loved treasures exclusively on Trade Me for a year. He originally set up the business with his wife, who had cancer, as it was their dream to start Junkstyle together. He used the business to support her and their young son. His wife has since passed away, and Alfred continues to grow Junkstyle. "It just seems to get bigger and bigger," he says. "Trade Me is my lifeline."

Every now and then, one of his listings will pop up on Trade Me's Cool Auctions list, including the taxidermy "King Cobra vs. Mongoose".

Letter to Trade Me shareholders

Dear Shareholders,

This is the first Annual Report for Trade Me as a public company and my first letter to you as Chairman of your company. I want to begin by thanking you for choosing to invest in Trade Me.

We understand you have placed your trust in us and that you expect us to increase the value of your investment over time, and pay out a high proportion of our earnings as a dividend. That is what we intend to do.

Trade Me listed on the New Zealand and Australian stock exchanges in December last year. At that time we produced an Investment Statement and Prospectus that explained the business and set out targets for the financial performance of the company to 31 December 2011, 30 June 2012, and 31 December 2012. We have now passed two of those dates and in both cases we modestly exceeded the targets set out in the prospectus. We have one more financial target to go and we expect to meet this target as well.

What you should be most interested in, of course, is not the short-term targets that are set from time-to-time, but the long-term prospects for Trade Me. This is what the Board and management spend most of our time thinking about and working on.

Trade Me was founded in 1999 by Sam Morgan because he recognised a fundamental shift was underway in the way business would be done in the future. Sam recognised that an online marketplace, in which sellers post the goods they would like to sell on an internet site and buyers search the site for items they might like to buy, was a far more effective and cheaper way of buying and selling than the traditional alternatives.

The original used goods auction marketplace quickly extended to include marketplaces for the buying and selling of cars and homes, and the search for jobs. Trade Me has grown rapidly in the 13 years since it was founded and is now a large, diverse and highly profitable company.

The company has been joined by a wide range of online businesses in New Zealand. Some of these new businesses will no doubt do well in their different areas, but we feel confident that Trade Me has a very strong position in its markets. Barring some unpredictable new technology (which is always possible), we think this will remain the case for many years to come. Trade Me's large scale – including the number of buyers and sellers, the volume of items listed and sold, and the amount of online traffic going to the website and mobile applications even just for a browse around – creates a very big advantage for the business.

Not that this means we can rest on our laurels, and in this regard you are very well-served by a management team that is smart, experienced and hungry to keep growing Trade Me long into the future. The team is excellently led by Jon Macdonald. Jon has been with Trade Me for nine years and has been CEO for four years.

Elsewhere in this Annual Report you will be able to read about our financial performance in the year to the end of June 2012. Our F12 earnings of $110.4m is a record for the company and 11.3% ahead of last year.

If you look carefully at the financial information, you will see our earnings margin on sales is declining somewhat. In many businesses this would be a cause for alarm – this is not the case for Trade Me and here is why.

Starting Trade Me wasn't the only smart thing Sam did back in 1999. He also chose to focus on building the online business with the highest margin – online used goods auctions. This business is now mature and consequently is growing more slowly than many of the newer businesses, such as new goods sales, advertising and travel, which have lower margins. As these somewhat lower (but still high) margin businesses grow faster and become a larger part of the overall earnings, the blended margin for the business comes down a bit. We expect this to continue for the next few years.

Fortunately, what really matters for the value of the company is not the margin on sales achieved, but the growth in the dollars of cash earnings produced relative to the capital invested to achieve that growth. This is what the Board and management focus on.

Thank you again for investing with us. We look forward to seeing as many of you as are able to make it to our first annual shareholder meeting in Wellington on Tuesday 30 October.

Yours sincerely,

David Kirk
Chairman
Trade Me Group Limited

A good start as a newly listed public company

Dear Shareholders,

Thank you for your confidence and support as investors in Trade Me.

I'm pleased to report that we have made a good start as a newly listed public company. Trade Me met its forecast financial result for F12 – delivering overall revenue and earnings slightly ahead of the figures set out at the time of the IPO last year.

However, we still have a lot of work to do, and we are as busy as ever working to deliver on both the short-term and long-term opportunities in front of us.

The Trade Me community

Trade Me's buyers, sellers and advertisers have always been central to our thinking and to our success. This community is our audience, provides our interesting content, does our marketing through word-of-mouth, and helps keep our marketplace safe. In return, we provide a great shopping destination and a way to reach a huge consumer base at a very low cost.

I want to take this opportunity to acknowledge the Trade Me community, and to say thank you for your support over many years. As we look to innovate and grow, we'll work hard to keep providing an excellent experience and great value for money for our members.

The numbers: financial performance

Our EBITDA grew to another record high of $110.4 million, up by 11.3% compared to F11, and 4.7% ahead of our forecast. We delivered NPAT of $75.6 million for F12, up 10.0% on our forecast. Removing a non-cash benefit relating to our acquisition of AutoBase, our underlying EBITDA was 1.6% ahead of our forecast.

The performance of the business has been pleasing, especially given the continued soft economic conditions. We have seen varied levels of strength across our portfolio.

General Items, our main marketplace, has performed very much in line with our expectations. We've seen good performance across our categories, and observed recent double-digit growth in the number of items sold in mobile phones, health & beauty, and business, farming & industry. The shift of activity towards mobile continues unabated.

The **Classifieds** businesses – Trade Me Motors, Trade Me Property, and Trade Me Jobs – all put in strong performances during F12. We believe there have been several contributors to this including:

- the return of some cyclical stability in the real estate and automotive sectors;
- some cyclical strength in the Kiwi employment advertising market relative to F11;
- good uptake in premium promotional products;
- increases in yield through optimising our pricing models; and
- the acquisition and integration of vehicle listing aggregator AutoBase.

In our **Other** segment, revenue was below forecast, and we attribute this to two main causes. First, our Advertising business fell short of our revenue expectations in the context of a variable advertising industry over F12. Second, Treat Me came in below a bullish forecast. We view group-buying as a young and uncertain industry, but one that still has potential. On the other side of the ledger, there were good performances from online dating (FindSomeone) and our trio of travel businesses (Travelbug, Holiday Houses, BookIt).

It was good to see our expenses come in slightly under forecast. We attribute this to focused cost control throughout the year. In particular, we were restrained in our advertising and web infrastructure expenses.

Preparing for continued growth

Trade Me has a bright future. We will build on our strong market positions, and we are well-placed to take advantage of the continuing structural shift of transactions and advertising to online, and away from traditional media and retail channels.

There is lots of scope to push out our existing businesses to improve our offerings to consumers and advertisers alike, and grow our revenue. Our diverse portfolio gives us plenty of options, and is a good defence against a challenge or competitor that may arise in any one of our businesses.

There are some specific opportunities that merit further detail here:

Mobile

Mobile now accounts for 8% of sales in our General Items business, and 25% of visits to Trade Me are now from mobile devices. (But not all visits are created equal – on average, people still spend approximately 15 minutes on Trade Me if they visit from a desktop computer, versus one minute if they visit through our iPhone app.)

We believe mobile will continue its strong growth, and people will increasingly expect to interact with us through whatever platform best suits their circumstances and personality. We will keep working hard to ensure Trade Me is best-represented across all popular platforms.

We also have mobile apps and smartphone-optimised sites across a number of our individual businesses, with the most recent addition being an iPad app for Trade Me Property released on 24 August 2012.

New goods

Online retail is still in its infancy in New Zealand and this presents us with a large, long-term opportunity. We need to work hard for our fair share in this growing market by ensuring Trade Me stays relevant to the New Zealand consumer.

We've continued to work on improving the buyer and seller experience for new goods. We've welcomed aboard well-known national retailers like Hallensteins, Glassons and The Warehouse.

In April, we announced a deal with global ecommerce platform provider ChannelAdvisor to facilitate offshore retailers. We intend to have some Australian sellers up and running via ChannelAdvisor in the run-up to Christmas 2012.

Growing classifieds

We reported excellent financial performances across all three of our classifieds businesses for F12, and we are confident there's a lot of good growth left in each of these. We are working hard on improving the products we offer our sellers and advertisers, as well as improving the consumer experience to ensure we make the most of this opportunity.

Acquisitions

In the second half of F12 we announced the acquisition of AutoBase (a listing aggregator that manages the relationships with car dealers who list on Trade Me Motors). In August 2012 we also acquired Tradevine, an inventory management tool that improves our proposition to bigger sellers. Both businesses have been successfully integrated into Trade Me, and are contributing well.

Community support

We consistently aim to contribute to the wider community, both to give back to those who have supported us and to play our part in making New Zealand a great place to live. Our focus has been on making things better and contributing more effectively than simply writing out cheques. For example, we leveraged our internet infrastructure to provide ongoing free, public WiFi in Wellington and Christchurch. We take care to align ourselves with the sort of things the Trade Me community would expect us to support.

On the charity front, we have an excellent long-term relationship with Plunket, and we ran a successful Spring Clean campaign with Starship in September. In May 2012 we announced a new partnership with Kiwis For Kiwi (formerly the Save the Kiwi Trust) and we're looking forward to developing this in F13.

We recently renewed our sponsorship with Wellington Zoo and our other sponsorships include support for the tech-related conferences Webstock, WDCNZ and NetHui.

We have been carbon neutral for five years now, and are proud to facilitate the reuse of secondhand items worth more than $400 million each year.

Our people

Our people have always been vital at Trade Me, and we work hard to hire and retain the best in the business. We provide a unique working environment, with an informal but focussed work ethic.

This is increasingly important as we grow our team to ensure we can properly execute on everything we need to do. In particular, we're growing our technical staff to ensure we keep improving our websites and mobile apps in order to stay relevant, and provide the best possible experience for our community. Including our most recent acquisitions, the number of Trade Me staff has now reached 260 people.

We have been careful to protect Trade Me's unique workplace culture as we have continued to grow. We have been a finalist in the Kenexa Best Workplaces survey in the last two years.

We've expanded our technology team and we now have development teams in Auckland and Christchurch, complementing our main developer base at our Wellington headquarters. We have secured accommodation to cater for our continued growth, including the anchor tenancy in the One Market Lane development in Wellington, a new building expected to be ready to occupy by mid-2014.

We place an emphasis on good execution and operational excellence. We're explicit about our values, and aim to live up to these both as individuals and as a business. The Trade Me values are set out in full on page 26 of this report.

Outlook

In the short term, we believe the New Zealand economy remains fragile, but we remain focussed on delivering on the final part of our IPO forecast for the 6 months ending 31 December 2012.

In the longer term, we are confident about the prospects of our business and its foundations. We continue to have a fantastic community of members across our various websites, and we understand the importance of staying relevant to them. Our strong market positions, coupled with growth in mobile, online retail, and the migration of advertising yield online all provide excellent opportunities for Trade Me.

Finally, I'd also like to take this opportunity to thank our investor community, advertisers and staff for their support through the journey of our IPO and then through F12. We've put in a lot of hard work over the past year, and I look forward to another good year ahead.

Yours sincerely,

Jon Macdonald
CEO
Trade Me Group Limited

Executive team profiles

Dave Wasley

Craig Jordan

Jon Macdonald

Jonathan Klouwens

Michael O'Donnell

Jimmy McGee

Mike DelPrete

Fiona Ireland

Jon Macdonald
Chief Executive Officer

Dave Wasley	Craig Jordan	Jonathan Klouwens	Mike O'Donnell	Jimmy McGee	Mike DelPrete	Fiona Ireland
Head of Technology	Head of Marketplace	Chief Financial Officer	Head of Operations	Head of Commercial	Strategy Manager	Head of Human Resources

Jon Macdonald
Chief Executive Officer

Jon was appointed Chief Executive Officer in 2008.

Jon joined Trade Me in 2003 as head of technology, before being appointed general manager and then CEO.

Prior to joining Trade Me, he worked in London for HSBC Investment Bank in a variety of technical and management positions. He has also worked for Deloitte Consulting, with a focus on telecommunications and financial services. Jon has a Bachelor of Engineering (Hons) from the University of Canterbury.

Craig Jordan
Head of Marketplace

Craig was appointed Head of Marketplace in 2010.

Craig joined Trade Me in 2007 to manage the business partnerships and Trade Me Motors. As head of marketplace, he is responsible for running the General Items business.

Craig has previously worked for GE (Finance) and Beca in a variety of positions. He holds a Master of Management (Finance) from Massey University, and degrees in commerce and surveying from the University of Otago.

Jonathan Klouwens
Chief Financial Officer

Jonathan was appointed Chief Financial Officer in 2012.

Jonathan joined Trade Me in March 2012, and is responsible for managing Trade Me's finance and analytics teams, as well as overall financial strategy.

Prior to joining Trade Me, he was the CFO at House of Travel for three years. He worked for Lion Nathan in Australia, China and New Zealand for 15 years, holding a variety of roles including NZ strategy director and four years as NZ finance director.

Jimmy McGee
Head of Commercial

Jimmy was appointed Head of Commercial in 2009.

Jimmy joined Trade Me in 2006, where he was initially responsible for launching Trade Me Jobs. In his current role, Jimmy is responsible for Property, Jobs and Motors, as well as display advertising and Treat Me.

Prior to joining Trade Me, Jimmy was a senior manager at eBay in Australia. He also worked for Monster.com in Australia and NZ. Jimmy has degrees in PE and commerce from the University of Otago.

Michael O'Donnell
Head of Operations

Mike was appointed Head of Operations in 2010.

MOD joined Trade Me in 2004 and originally managed Property, Jobs and Motors. In 2010, he moved to his current role overseeing customer service, trust and safety, communications and community, and legal and regulatory. He also manages Trade Me's dating and travel businesses.

Prior to joining Trade Me, MOD held senior management roles at AMP Capital Investors, Gareth Morgan Investments, Fonterra and Forestry Corporation. He is a professional director and business columnist. MOD holds an Honours degree in political science and philosophy.

Dave Wasley
Head of Technology

Dave was appointed Head of Technology in 2010.

Dave joined Trade Me in 2007, where he worked as head of platform & operations, and head of infrastructure. Dave is responsible for all of Trade Me's technology operations.

Prior to joining Trade Me, Dave was IT manager at Commercial Fisheries Services and also worked for Deloitte Consulting in various industries, including health and energy. Dave has a Bachelor of Economics & Information Systems (Hons) from Massey University.

Fiona Ireland
Head of Human Resources

Fiona was appointed as the first Head of Human Resources in 2010.

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

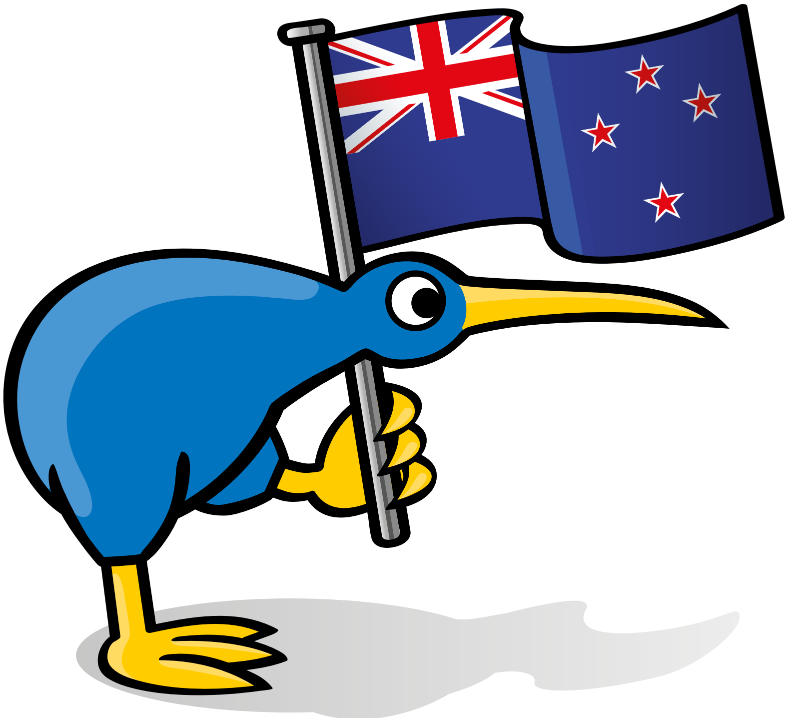
Prior to joining Trade Me, Fiona worked as the HR manager at AMS (a joint venture by Vector and Siemens) as well as holding generalist roles at Vector Ltd for six years.

Mike DelPrete
Strategy Manager

Mike was appointed Strategy Manager in 2012.

Mike is responsible for developing a pipeline of new interesting ventures for Trade Me to consider, and co-ordinates overall corporate strategy.

He came to Trade Me from New York, where he was most recently CEO of Agora Games, a technology business that builds software for online gaming communities. He also has experience acting as an advisor to start-up companies.



The Trade Me values

Who are we?
We are Trade Me.

We're part of an exciting industry and we have great prospects. We're a fun place to work.

But regardless of our past successes, we understand that our future depends on continuing to be relevant, useful and good value to our members.

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

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

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

1 Deliver awesome online experiences

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

2 Be entrepreneurial

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

3 Care about our community

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

4 Be trusted & straight up

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

5 Decide & act on merit

We have a healthy disregard for hierarchy in our decision-making. We prefer to rely on lots of data, good judgment and empathy for our community. We value fearlessness and fairness in representing a point of view.

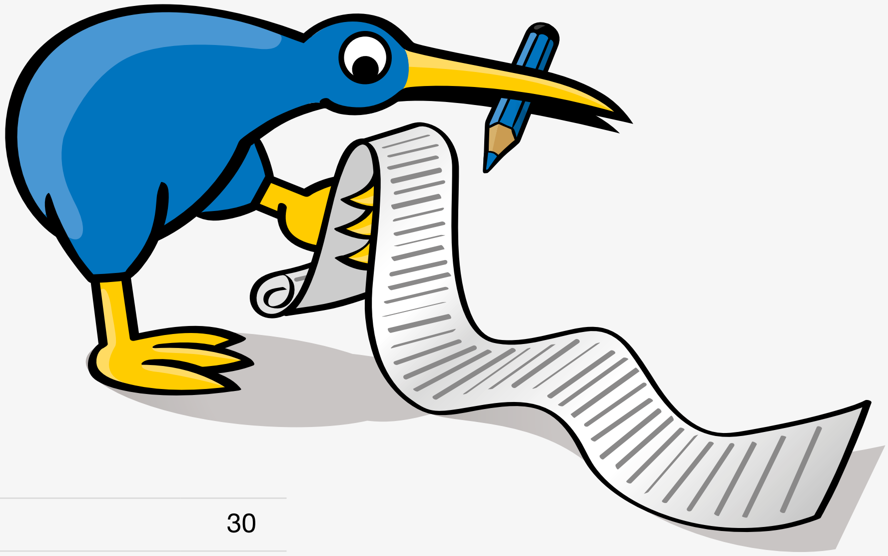
6 Hire & grow great people

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

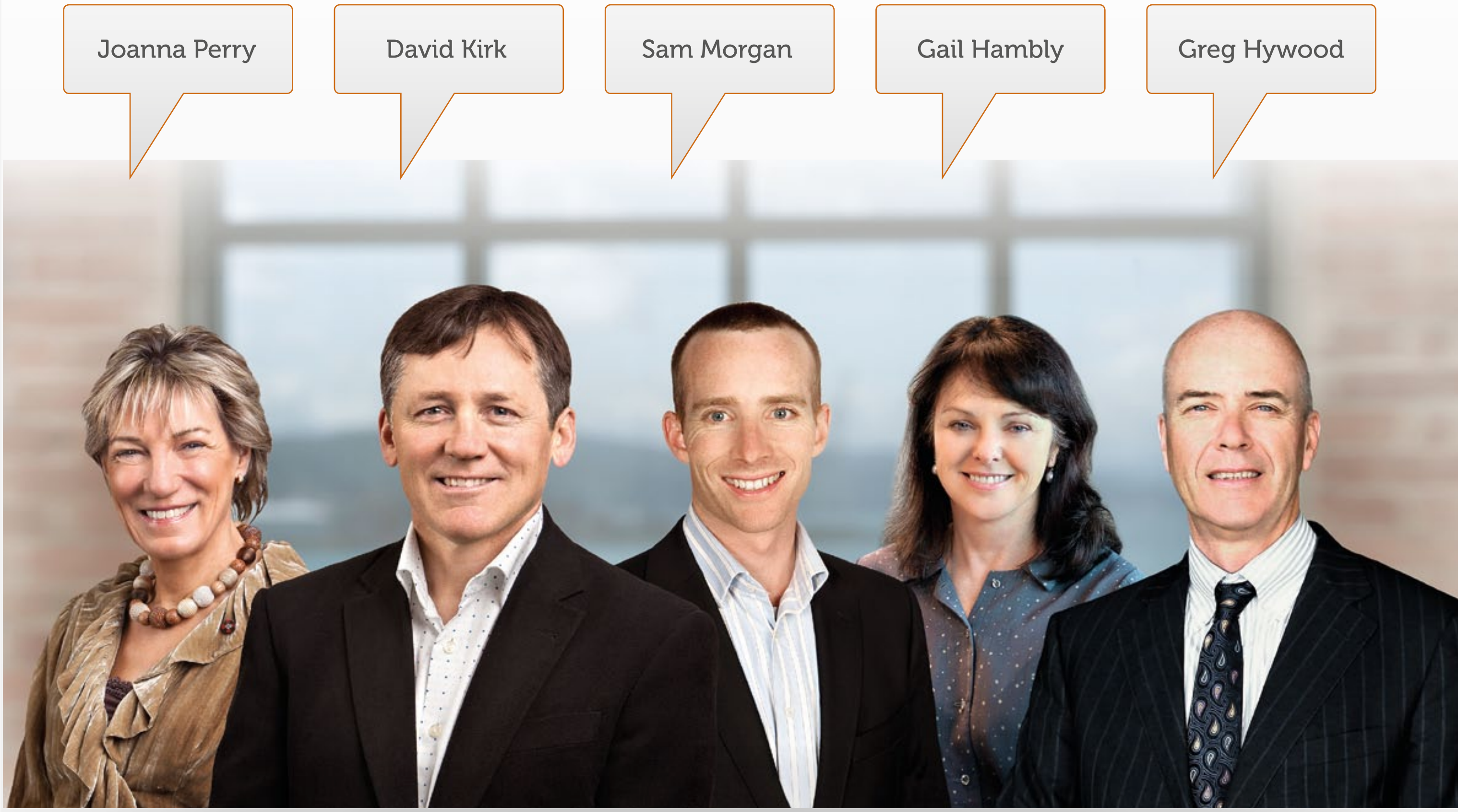
7 Don't be a dick

Trade Me founder Sam Morgan said this on TV, and it stuck. It's all about treating people with respect, being responsible and keeping a sense of humour.

Directors' report



Director profiles



David Kirk

Independent chairman

NON-EXECUTIVE

David is the co-founder and managing partner of Bailador Investment Management, chairman of The Hoyts Group , a director of Forsyth Barr Ltd and a director of investee companies of the Bailador Fund: Viocorp, SMI and SiteMinder. He is also chairman of trustees at Sydney Grammar School.

David was the CEO of Fairfax Media from 2005 to 2008. He was CEO and managing director of PMP Ltd from 2003 to 2005, and a regional president for Norske Skog from 2000 to 2003. He has also worked for Fletcher Challenge in senior executive roles and was chief policy advisor to NZ Prime Minister Jim Bolger from 1992 to 1994.

David is a Rhodes Scholar with degrees in medicine from Otago University and in philosophy, politics and economics from Oxford University.

He lives in Sydney, Australia.

Joanna Perry

Independent director

NON-EXECUTIVE

Joanna has extensive governance experience and is currently the deputy chair of Genesis Energy. Her directorships include Kiwi Income Property Trust, The Co-operative Bank, Sport New Zealand, Partners Life, and Rowing New Zealand. She is board adviser to Tainui Group Holdings.

Prior to focusing on her directorships, Joanna was a partner at KPMG for 17 years. She was a member of the Securities Commission for 11 years, chaired the Financial Reporting Standards Board, and was a member of the Australian Accounting Standards Board.

Joanna has a Master of Arts (economics) from Cambridge University and is a Fellow of the NZ Institute of Chartered Accountants and the Institute of Chartered Accountants in England and Wales. She was appointed a Member of the New Zealand Order of Merit for services to accounting.

She lives in Auckland, New Zealand.

Gail Hambly

Non-independent director: nominee of Fairfax Media

NON-EXECUTIVE

Gail has over 15 years' experience as a senior media executive. She is currently group general counsel and company secretary of Fairfax Media, and responsible for the provision of legal, corporate governance, internal audit and risk services to the Fairfax Group. She also plays a key role in the core management team.

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

Gail holds degrees in law, science and economics.

She lives in Sydney, Australia.

Greg Hywood

Non-independent director: nominee of Fairfax Media

NON-EXECUTIVE

Greg is currently the CEO of Fairfax Media. He has enjoyed a long career in media and government.

A Walkley Award-winning journalist, he has held a number of senior management positions at Fairfax Media including publisher and editor-in-chief of The Australian Financial Review, The Sydney Morning Herald, Sun Herald, and The Age. He also held the position of group publisher of Fairfax Magazines.

Greg has previously held the positions of executive director policy and cabinet in the Victorian Premier's Department and Chief Executive of Tourism Victoria.

Greg lives in Sydney, Australia.

Sam Morgan

Non-independent director: nominee of Fairfax Media

NON-EXECUTIVE

Sam is the founder and former CEO of Trade Me Ltd, which was purchased by Fairfax Media in 2006. He is also a non-executive director of Fairfax Media and Xero Ltd.

Sam lives in Nelson, New Zealand.

Disclosures

Corporate governance structure

The Trade Me board of directors believes good governance is based on a set of principles and behaviours that deliver transparency, fairness and recognition of the interests of its shareholders, members, and other stakeholders.

The Board has established a corporate governance framework that takes into consideration "best practice" standards in New Zealand and Australia.[1] It has also been designed to ensure Trade Me meets its legal obligations, and complies with the NZX and ASX Listing Rules.

Corporate governance information

Trade Me's investor relations website (http://investors.trademe.co.nz/) contains copies of the following corporate governance documents:

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

Board of directors

The role of the Board

The Board has an obligation to protect and enhance the value of Trade Me's assets, and to act in the best interests of shareholders. Its role, structure, and governance requirements are documented in the Trade Me Board Charter.

The Board is responsible for the overall corporate governance of Trade Me, including approving its strategic direction and financial objectives, management oversight, monitoring performance, and approving transactions above set financial limits.

1 As set out in the Corporate Governance Best Practice Code (NZX Code) and the ASX Corporate Governance Council Principles and Recommendations (ASX Principles).

Trade Me achieves Board and management accountability via the Charter and formal delegation to the CEO. This means that although the Board has statutory responsibility for Trade Me's activities, it delegates the day-to-day leadership and management of the Company to the CEO.

Board composition

The Constitution allows for the Trade Me Board to have between three and ten directors. The Board currently comprises five non-executive directors: an independent chairman, an independent director, and three non-independent directors nominated by Fairfax Media Limited. The CEO is not a member of the Board.

The current directors are as follows:

- David Kirk (Chairman)
- Gail Hambly
- Greg Hywood
- Sam Morgan
- Joanna Perry

All were appointed on 13 October 2011, except Greg Hywood who was appointed on 18 October 2011.

Profiles of the directors can be found on page 31 of this report. Gail Hambly, Greg Hywood and Sam Morgan were all appointed by Trade Me's major shareholder, Fairfax Media ("Fairfax"). There are no specific provisions in the Constitution that give Fairfax the right to appoint directors.

The Board intends to appoint another independent director during the F13 year, and a search process is under way to identify appropriate candidates.

At least one-third of all directors stand for re-election every year, although this can be increased if required by the NZX or the ASX. The directors who retire each year are those who have been in office longest since their last election. Where there is more than one director of equal term, those who retire will be determined by agreement.

Subject to continued shareholder support, the standard term for a non-executive director is six years from the date of standing for election. After six years, the director must offer to resign. The Board may offer a further term of up to three years.

The Board's Nominations Committee identifies and recommends individuals for nomination as members of the Board and its committees. It takes into account factors it deems appropriate, including experience, qualifications, judgment and the ability to work with the other directors.

The Board Charter provides for regular performance reviews of the Board and its committees. To date, there have not been any performance reviews as the Board has been in place for less than one year. Initial reviews will be undertaken during F13.

Director independence

The Charter requires at least two directors to be independent. The Board has adopted a definition of 'independence' that meets the criteria contained in the NZX and ASX Listing Rules. A director will not be regarded as independent if:

- they are a substantial shareholder (as defined in the Securities Markets Act 1988) of Trade Me or an officer of, or otherwise associated directly with, a substantial security holder of Trade Me;
- within the last three years they have been employed in an executive capacity by Trade Me;
- within the last three years they have been a principal or an officer of a material professional advisor, consultant, supplier or customer to Trade Me or an employee materially associated with the service provided;
- they have a material contractual relationship with Trade Me other than as a director of the company;
- they are not free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Trade Me.

Director independence is assessed by the Board, and directors are required to provide a standing notice of interests to the Board. They must make prompt disclosures to the Board of any changes in interests that may be relevant in assessing their independence.

The Board has determined that Gail Hambly, Greg Hywood and Sam Morgan are not independent directors because of their association with Fairfax as a substantial security holder of the Company. Greg and Sam are directors of Fairfax, and Gail is a member of the Fairfax Executive team.

Committees

Committees review and analyse policies and strategies developed by management. They examine proposals and make recommendations to the Board. They do not take action or make decisions on behalf of the Board unless specifically mandated to do so. A Committee or individual director may engage independent legal counsel at Trade Me's expense with the prior approval of the Chairman.

The current Committees are set out below. Details of their composition, roles, and responsibilities are in their respective Charters available on Trade Me's investor relations website.

- **Audit & Risk Management Committee**: Joanna Perry (Chair), Gail Hambly, David Kirk
- **Human Resources & Compensation Committee**: David Kirk (Chair), Sam Morgan, Joanna Perry
- **Nominations Committee**: Joanna Perry (Chair), Gail Hambly, David Kirk
- **Independent Directors Committee**: David Kirk (Chair), Joanna Perry

Board process

The directors receive comprehensive information on Trade Me's operations before each meeting and have unrestricted access to any other information or records. To help ensure information is timely, focused and concise, board papers are prepared and distributed electronically. Outside of Board meetings, members of the Trade Me Executive team are available to address queries, assist in developing directors' understanding of issues and opportunities, and provide additional information about the performance of the business.

Between 13 December 2011 and 30 June 2012, the Trade Me Board held six full meetings, five Audit & Risk Management Committee meetings, one Human Resources & Compensation Committee meeting, and one Independent Directors Committee meeting. All directors attended all Board meetings, and all directors attended all Committee meetings of which they were members.

Note that no meetings of the Nominations Committee were held, as all matters concerning the possible appointment of new directors were discussed by the full Board.

Conduct

Trade Me has a set of values (set out on page 26), as well as a Code of Conduct setting out the ethical and behavioural standards expected of the staff and directors of Trade Me. These demonstrate Trade Me's commitment to its legal and other obligations to stakeholders including employees, members, shareholders and the community as a whole.

Trading in securities

Trading in Trade Me securities by directors and designated senior employees is regulated by a combination of New Zealand law and Trade Me's Securities Trading Policy. The purpose of this policy is to ensure people comply with the restrictions on trading in securities while holding unpublished, undisclosed, price-sensitive information.

The policy also details "blackout periods" where trading is forbidden, as well as a process for authorisation at other times. Directors or employees can transact in Trade Me securities with the prior approval of either the Chairman, the Chair of the Audit & Risk Management Committee, or the Company Secretary. Blackout periods exist for some employees before the announcement of half-year and full-year results.

Directors must notify the Company Secretary of any change in their shareholding interest in Trade Me to ensure compliance with the disclosure requirements of the NZX and ASX Listing Rules and New Zealand securities law.

Diversity

Trade Me is committed to fostering an inclusive working environment that promotes employment equity and workforce diversity at all levels, including the Executive team and Board. Diversity guidelines were developed during F12. At Trade Me diversity is about recognising and appreciating the variety of differences between people in an organisation. It includes gender, age, disability, religion, race, sexual orientation, family circumstances and ethnicity.

The Board has approved the following gender diversity objectives:

- 33% of the Board should be female
- 33% of the Executive Team and Senior Management Team should be female
- 50% of all employees should be female

The 2013 annual report will contain an assessment of the Company's performance against these objectives.

The gender breakdown at Trade Me as at 30 June 2012 was as follows:

	Female	Male	Total	% female
Board	2	3	5	40
Executive Team and Senior Management Team	6	23	29	21
All employees	116	140	256	45

Risk management & financial reporting

Risk management

Trade Me has a formal risk management framework in place to identify, oversee, manage and control risk. It also monitors the initiatives employed to reduce risk. A risk register is presented to the Audit & Risk Management Committee for regular review.

Financial reporting

The Board is reponsible for ensuring that effective policies are in place to provide confidence in the integrity of Trade Me's financial reporting.

The Audit and Risk Management Committee oversees the quality, reliability and accuracy of Trade Me's financial statements and related documents. A full description of its role is contained in its Charter.

The Committee and the Board undertake sufficient inquiry of management and the auditors to be satisfied of the validity and accuracy of all aspects of Trade Me's financial reporting.

Audit independence

The Board has adopted an Audit Independence Policy that ensures the external auditor is both independent and seen as independent. The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports on which to base investment decisions. The policy sets out the key commitments by the Board, and procedures to be followed by the Audit & Risk Management Committee and management in setting a framework for audit independence.

To promote audit quality and effective audit service by suitably qualified professionals, the Board ensures the auditor is fairly remunerated for the agreed scope of the statutory audit and audit-related services. The auditor meets separately with the Committee at least twice a year, without management present.

There are restrictions on non-audit work that can be performed by the auditor, and these are also set out in the policy.

Trade Me requires the rotation of the senior audit partner and review partner at least every five years. Each year it also requires the auditor to provide evidence of its ongoing competence, and confirm that it has complied with the professional standards and ethical guidelines of the NZICA and Trade Me's policy.

Market disclosure and shareholder communication

The Market Disclosure Policy sets out the requirements to ensure Trade Me makes full and timely disclosure to the market of material issues, so all stakeholders have equal access to information. No Trade Me directors or staff are permitted to communicate to the media or any other person any material information that has not first been disclosed to NZX and ASX.

Material announcements are subject to Board review and approval, including all material involving financial matters. There is a standing agenda item at each Board meeting to consider whether there is any information that may require disclosure.

A Disclosure Committee has also been established to manage these obligations. This comprises the CEO, CFO, General Counsel and the Company Secretary. The Company Secretary is responsible for ensuring timely release of information to NZX and ASX and advising the Board and CEO of its release. The Company Secretary is the primary liaison person for communications with the NZX and ASX.

Trade Me's investor relations website includes relevant information, including presentations, reports, announcements, and media releases. This Annual Report is available in electronic and hard copy format.

Trade Me's first annual meeting as a listed company will be held on Tuesday 30 October 2012 in Wellington. Shareholders will be given a reasonable opportunity to ask questions and comment on relevant matters. Auditors Ernst & Young will attend and be available to answer questions about the audit and the audit report.

Compliance with NZX Code and ASX Principles

The Board has determined that the Company complies with the NZX Code.

The Board has also determined that it complies with all of the ASX Principles except as follows:

- **Principle 2.1 to have a majority of independent directors.** The Board has been in place for less than a year. During that time the Board has been assessing its future needs and the ideal skills and capability of future directors. It is anticipated that an additional independent director will be appointed during F13. Assuming there are no other changes, this would mean Trade Me would have an equal number of independent and non-independent directors by 30 June 2013.
- **Principle 2.5 that a performance evaluation of the Board and its directors has been undertaken during the year**. No performance evaluation has occurred to date. The Board has only been in place since December 2011 and considered a formal assessment process unnecessary. There has been ongoing work in establishing Board practices and procedures to ensure the Board is working effectively and efficiently. Evaluations will begin in F13.
- **Principle 7.3 provides that the Chief Executive and Chief Financial Officer should confirm in writing to the Audit and Risk Management Committee 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 compliance and control systems are operating efficiently and effectively in all material respects**. This is required by Section 295 of the Corporations Act and is for Australian incorporated companies only. Trade Me intends to meet this this requirement for F13. In respect of F12, the CEO and CFO provided a management representation letter to the Board that included confirmation that:
  - They believe the financial statements give a true and fair view of the financial position, financial performance and cash flows of Trade Me in accordance with generally accepted accounting practice in New Zealand, and are free from material misstatements, including omissions;
  - That, as the people charged with managing Trade Me, they believe the company has a system of internal controls that are adequate to enable the preparation of accurate financial statements in accordance with generally accepted accounting practice in New Zealand that they are free from material misstatement, whether due to fraud or error.

Remuneration

Trade Me seeks to ensure its remuneration framework and policies attract (and retain) talented and motivated people. The Board has approved the following principles in setting remuneration:

- be fair, consistent and easy to understand;
- be true to the Trade Me value of hiring and growing great people;
- be recognised as a great place to work, and attract, retain and motivate high-performing individuals;
- align employee incentives with the achievement of good business performance and shareholder return;
- recognise and reward individual success, while encouraging teamwork and a high-performance culture; and
- be competitive in the labour market.

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

Non-executive directors remuneration

The maximum total remuneration that can be paid to Trade Me's non-executive directors was set at $650,000 per annum, prior to the IPO. It was set based on a review of the fees paid to directors in comparable NZ companies. Any future changes to the maximum total remuneration that can be paid to directors must be approved by shareholders.

The current annual fees paid to non-executive directors are as follows:

- Chairman $195,000
- Non-executive directors $85,000
- Chair of the Audit & Risk Management Committee $25,000
- Chair of the Human Resources & Compensation Committee $15,000
- Members of a Committee (except Chair) $10,000

Directors on multiple Committees (except the Nominations Committee and Independent Directors Committee) are entitled to receive fees for membership of each Committee.

No directors fees are paid to executives of Faifax Media who are Trade Me directors.

The fees paid to the non-executive directors during the year ended 30 June 2012 are set out on page 35.

CEO remuneration

Jon Macdonald's employment agreement for his role as CEO commenced on the 26 February 2008. The terms reflect standard conditions appropriate for a senior executive of a listed company. Jon's remuneration is a combination of base salary plus incentive arrangements for short-term and long-term performance.

In F12, Jon's base salary and performance-related short-term incentive ("STI") payments was $541,624, comprising base salary of $427,736 plus STI of $113,888 paid in February 2012 and August 2012 after performance targets were met. In addition, Jon is entitled to participate in the long-term incentive (LTI) plan, described below. At the time of the IPO, he was granted 71,110 restricted shares in the Executive Share Plan. If the qualification criteria are met, these shares will become ordinary shares on 1 January 2014.

STI payments are determined by measuring the company's financial performance against budget, as well as a number of specific strategic, non-financial performance targets that are set at the beginning of the year.

The Human Resources and Compensation Committee annually evaluates the performance of the CEO and reviews the CEO's evaluation of his direct reports in the Trade Me Executive team. During the year, the Committee obtained advice from PricewaterhouseCoopers to assist it in setting Jon's total remuneration package for F13.

Trade Me employee remuneration

Trade Me roles are evaluated and data is used to determine competitive salary and total remuneration levels, taking into account the company's remuneration guidelines. Individual remuneration is set within the appropriate range taking into account individual performance, scarcity, availability of resources and skills, internal relativities and specific business needs. The process ensures internal equity between roles and allows comparison with the overall market.

The Human Resources & Compensation Committee approves overall remuneration budgets for all employees. It also recommends to the Board that it approve the remuneration arrangements for the Executive team, including any STI payments.

Benchmark reports and other market data is used to ensure market relativity. During the year, the Human Resources & Compensation Committee commissioned a report from PricewaterhouseCoopers on the relativity of the Trade Me Executive team's remuneration by role in respect of a comparator group.

Short-term incentive plan

A short-term incentive (STI) plan is in place for all senior Trade Me employees for F13. This rewards performance based on achieving certain financial targets set at the beginning of the financial year, and is also contingent on individual performance. STI remuneration targets are expressed as a percentage of fixed remuneration, with the percentage dependent on the seniority of the individual.

Long-term incentive plan

Trade Me put in place a long-term incentive (LTI) plan at the time of the IPO, known as the Executive Share Plan. At that time, 25 senior employees were given the opportunity to purchase "restricted shares". A total of 254,490 shares were offered with the same rights as ordinary shares, including the right to receive dividends. The plan was put in place to ensure senior staff were aligned with the interests of shareholders, particularly during the forecast period following the IPO.

Trade Me provided the members of the plan with an interest-free loan for the aggregate subscription price to fund the purchase of the shares. Reclassification of these "restricted shares" into "ordinary shares" will only occur on 1 January 2014 if the following qualification criteria are met:

- Trade Me achieves EBITDA of $110.9m for the period from 1 January 2012 to 31 December 2012; and
- The employee remains in continuous full-time employment with Trade Me until 31 December 2013.

Holders of restricted shares who wish to have these reclassified into ordinary shares will be required to repay the loans in an amount equal to the offer price, which was $2.70 per share.

If the reclassification criteria are met, Trade Me will pay a bonus to the participant which will equal the aggregate issue price of the restricted shares issued to the employee. This will be used to repay the loan.

If one or both of the qualification criteria are not met, Trade Me may require that the restricted shares be redeemed for the offer price. Following redemption, the employee will not receive any entitlements such as distributions or dividends in respect of the restricted shares. The effect of redeeming the restricted shares is that the employee receives no shares or cash (other than dividends paid on the restricted shares) and the loan is repaid. This redemption mechanism is designed to return both parties to the position they were in prior to entry into the plan.

The company will retain a security over the restricted shares until the loan is repaid.

In addition, at the time of the IPO, all employees were gifted 370 shares. These are subject to a trading restriction until 13 December 2012.

A new LTI plan is being implemented for the Executive and senior management teams, and this will apply from 1 July 2012. Allocations of shares under this plan are expected to occur in early October 2012. A full description of this plan will be provided in the 2013 Annual Report, however the plan is expected to be similar to the Executive Share Plan, but with a 3-year vesting period.

Shareholder information

20 largest shareholders as at 31 August 2012

Rank	Name	Number of shares	Percentage of issued capital
1	FAIRFAX DIGITAL HOLDINGS NZ LIMITED	201,960,000	51.03
2	New Zealand CENTRAL SECURITIES DEPOSITORY LIMITED	69,898,162	17.66
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	29,290,209	7.40
4	NATIONAL NOMINEES LIMITED	12,776,491	3.23
5	CITICORP NOMINEES PTY LIMITED <3 A/C>	8,476,898	2.14
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,911,975	2.00
7	CUSTODIAL SERVICES LIMITED	5,454,088	1.38
8	BNP PARIBAS NOMS PTY LIMITED	3,550,098	0.90
9	FORSYTH BARR CUSTODIANS LIMITED	3,235,210	0.82
10	UBS NOMINEES PTY LIMITED	2,934,693	0.74
11	CUSTODIAL SERVICES LIMITED <2 A/C>	1,983,136	0.50
12	CITICORP NOMINEES PTY LIMITED	1,973,236	0.50
13	FORSYTH BARR CUSTODIANS LIMITED	1,788,990	0.45
14	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,740,002	0.44
15	CUSTODIAL SERVICES LIMITED <18 A/C>	1,536,140	0.39
16	CUSTODIAL SERVICES LIMITED <4 A/C>	1,381,735	0.35
17	SMALLCO INVESTMENT MANAGER LTD	1,259,700	0.32
18	FORSYTH BARR CUSTODIANS LIMITED	1,101,243	0.28
19	New Zealand DEPOSITORY NOMINEE LIMITED	1,047,856	0.26
20	INVESTMENT CUSTODIAL SERVICES LIMITED	982,222	0.25
		360,282,084	91.04

10 largest NZCSD shareholders as at 31 August 2012

New Zealand Central Securities Depository Limited provides a custodial service that allows electronic trading of securities to its members. It does not have a beneficial interest in these shares. Its major holders of Trade Me shares are:

Rank	Name	Number of shares	Percentage of issued capital
1	JPMORGAN CHASE BANK	23,034,251	5.82
2	TEA CUSTODIANS LIMITED	8,659,483	2.19
3	ACCIDENT COMPENSATION CORPORATION	8,478,463	2.14
4	CUSTODY AND INVESTMENT NOMINEES LIMITED	5,078,804	1.28
5	HSBC NOMINEES (NEW ZEALAND) LIMITED	4,310,706	1.09
6	NEW ZEALAND SUPERANNUATION FUND NOMINEES LIMITED	3,359,047	0.85
7	HSBC NOMINEES (NEW ZEALAND) LIMITED	3,303,019	0.83
8	COGENT NOMINEES LIMITED	3,294,460	0.83
9	AMP INVESTMENT STRATEGIC EQUITY GROWTH TRUST FUND	2,336,198	0.59
10	NATIONAL NOMINEES NEW ZEALAND LIMITED	1,694,786	0.43

Distribution of ordinary shares and registered shareholders as at 31 August 2012

Shareholder range	Number of shareholders	Number of shares	Percentage of issued capital
1–1,000	1,576	1,124,941	0.28
1,001– 5,000	3,324	9,107,005	2.30
5,001–10,000	808	6,319,184	1.60
10,001–50,000	452	9,072,972	2.29
50,001–100,000	23	1,765,012	0.45
100,001 and over	44	368,356,396	93.08
Total	6,227	395,745,510	100.00

As at 31 August 2012, the total number of shares on issue was 395,745,510. There were 13 shareholders (with a total of 476 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing price of AU$3.02. The ASX Listing Rules define a marketable parcel of shares as "a parcel of not less than AU$500".

There is no share buy-back taking place.

Substantial security holders

In accordance with Section 26(1) of the Securities Markets Act 1988, the following have given notice as at 31 August 2012 that they were substantial security holders and held a relevant interest in Trade Me ordinary shares as shown below:

	Date of last disclosure notice	Relevant interest in number of shares	% held as at the date of last notice
Fairfax Digital Holdings Limited	21 Jun 2012	201,960,000	51.033
Ellerston Capital Limited	15 Aug 2012	20,489,067	5.18

Voting rights

Article 20 of Trade Me's consitution states that a shareholder may exercise the right to vote at a meeting of shareholders either in person or through a representative. Where voting is by show of hands or by voice, every shareholder present in person or by representative has one vote. In a poll, every shareholder present in person or by representative has one vote for each share. Unless the Board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes.

Limitations on the acquisition of Trade Me securities

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

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

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

In accordance with the requirements of the ASX waiver, provided at the time of the company's admission to the ASX Trade Me certifies that during the period from 13 December 2011 to 30 June 2012 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

Trade Me made $76,000 in donations during F12.

Company Secretary

Trade Me's Company Secretary is Linda Cox.

Director and employee remuneration

Remuneration of directors

Remuneration paid to directors of Trade Me for the F12 year is as follows:

David Kirk (Chairman)*	$108,000
Gail Hambly**	nil
Greg Hywood**	nil
Joanna Perry*	$66,000
Sam Morgan	$52,000

* In addition to the amounts shown above, David Kirk (AU$50,000) and Joanna Perry ($25,000) were paid special fees by Fairfax for their services to Trade Me in connection with the IPO in December 2011.

** Gail Hambly and Greg Hywood are not paid directors' fees by Trade Me as they are executives of Fairfax and represent Fairfax.

None of the non-executive directors have received or become entitled to receive a benefit other than F12 director's fees since the end of the financial year. Non-executive directors are reimbursed for travel and other incidental expenses incurred in attending Board meetings.

Employee remuneration

The number of Trade Me employees who are not directors and received remuneration and other benefits in excess of $100,000 in their capacity as employees in F12 is set out in the table below.

This includes salary, share gifts, LTI and STI payments, and any value of executive share options, rights and shares expensed during F12. It also includes any settlement payments and payments in lieu of notice upon departure from the company.

Remuneration ($)	Employees
100,000–110,000	6
110,000–120,000	8
120,000–130,000	5
130,000–140,000	3
140,000–150,000	7
150,000–160,000	5
170,000–180,000	3
180,000–190,000	2
190,000–200,000	1
220,000–230,000	1
230,000–240,000	1
240,000–250,000	1
290,000–300,000	1
360,000–370,000	1
630,000–640,000	1

Directors' disclosures

Interests register

Pursuant to section 140(2) of the Companies Act 1993, directors have made the following general disclosure of interests. The following information was included in Trade Me's interest register as at 30 June 2012. Changes in the interests register notified during the year are also provided.

David Kirk	
Hoyts Group Limited	Chairman/shareholder
Pacific Fibre Limited	Director/shareholder
Forsyth Barr Limited	Director
Bailador Investment Management Limited	Director/shareholder
Viocorp International Pty Limited	Director/shareholder
SMI Holding Company Pty Limited	Director/shareholder
NZPH Limited	Director/shareholder
Online Ventures Pty Limited (trading as SiteMinder)	Became a director/ shareholder 23 July 2012
David Kirk Pty Limited	Director
Kirk Family Trust Pty Limited	Director/shareholder
Ocean Beach Wilderness Property Limited	Director

Gail Hambly	
Fairfax Media Limited	Executive and Secretary
Other Fairfax subsidiaries (Australia, New Zealand, Malaysia, Singapore, United States, United Kingdom)	Director
Australian Associated Press Pty Limited	Alternate Director
Copyco Pty Limited	Chairman
Company B Limited	Deputy Chairman
Paper Bond Limited	Director
Rural Press Superannuation Pty Limited	Director
The Julian Small Foundation Limited	Director
Vident Pty Limited	Director and Secretary

Greg Hywood	
Fairfax Media Limited	Managing Director and Chief Executive Officer
GKJT Investments Pty. Ltd.	Director and Secretary
The Newspaper Works Limited	Director
The Readership Works Pty Ltd	Director
Vertical Consulting Pty Ltd	Director
Victorian Major Events Company Limited	Director
Fairfax Digital Assets NZ Limited	Director
Fairfax Digital Holdings NZ Limited	Director

Sam Morgan	
Jasmine Charitable Trust	Trustee
Jasmine Charitable Trust No.2	Trustee
Jasmine Investment Trust	Trustee
Jasmine Investment Trust No.2	Trustee
Sam and Talei Family Trust	Trustee
Fairfax Media Limited	Director/shareholder
Gareth Morgan Kiwisaver Limited	Ceased to be a director 31 March 2012
GMI General Partner Limited	Ceased to be a director 31 March 2012
Jasmine Fleet Holdings Limited	Director/shareholder
Jasmine Investment Holdings Limited	Director/shareholder
Jasmine Investment Holdings Limited No.2	Director/shareholder
Jasmine Investment Holdings Limited No.3	Director/shareholder
Jasmine Investment Holdings Limited No.4	Director/shareholder
JIT Hillend Investment Limited	Director/shareholder

Outsmart 2005 Limited	Ceased to be a director 31 March 2012
Pacific Fibre Limited	Director/shareholder
Sonar 6 Limited	Ceased to be a director 31 March 2012
Tokaroa Farm Limited	Director/shareholder
Visfleet Limited	Director/shareholder
Xero Limited	Director/shareholder

Joanna Perry	
The Co-operative Bank Limited	Director
AsureQuality Limited	Ceased to be a director 30 April 2012
Genesis Power Limited	Deputy Chairman
Melanesian Mission Trust Board	Ceased to be a director 31 March 2012
Rowing New Zealand Limited	Director
JMGP Limited	Director/shareholder
Financial Services Institute of Australasia	Member of Policy Advisory Council
Victorian Auditor-General's Office	Member of Audit Committee
Speakers Assurance Committee	Ceased to be a member 31 March 2012
Primary Growth Partnership	Member of Investment Advisory Panel
International Accounting Standards Board Interpretations Committee	Member
Partners Life Limited	Director
Partners Group Holdings Limited	Director
Sports and Recreation New Zealand	Director
Kiwi Income Property Limited	Director
Tainui Group Holdings Limited	Became a Board Adviser 1 May 2012

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

In accordance with Section 148(2) of the Companies Act 1993, directors disclosed the following acquisitions of relevant Trade Me interests in F12. No directors disposed of any shares during the period.

	Number of securities acquired	Amount paid	Date of transaction
David Kirk	120,000	$324,000	13 Dec 2011
Gail Hambly	14,000	$37,800	13 Dec 2011
Greg Hywood	50,000	AU$156,000	17 May 2012
Sam Morgan	525,680	$1,666,218	27/28 Feb and 1/2 Mar 2012
Joanna Perry	26,000	$70,200	13 Dec 2011

Directors' relevant interests in shares

Directors held the following relevant interests in voting securities of Trade Me as at 30 June 2012.

	Directly held	Held by associated persons
David Kirk		120,000
Gail Hambly	14,000	
Greg Hywood	50,000	
Sam Morgan		525,680
Joanna Perry	26,000	

Subsidiary company directors

Section 211(2) of the Companies Act 1993 requires Trade Me to disclose the total remuneration and value of other benefits received by directors and former directors as well as entries in the interests' registers made during the F12 year, in relation to its subsidiaries.

No wholly-owned subsidiary has directors who are not full-time Trade Me employees. No employee of Trade Me or any of its subsidiaries receives or retains any remuneration as a director. Where relevant, the remuneration and other benefits received by these employees is included in the relevant bandings in the employee remuneration section on page 40.

The following were directors of subsidiary companies during the F12 year:

- **Trade Me Limited**: Jonathan Klouwens (current), Jon Macdonald (current), Vince Betham (resigned), Brian Cassell (resigned), Gail Hambly (resigned), Allen Williams (resigned)
- **Old Friends Limited**: Jonathan Klouwens (current), Jon Macdonald (current)
- **Trade Me Travel Trustees Limited** (amalgamated with Trade Me Limited on 4 November 2011): Brian Cassell (resigned), Gail Hambly (resigned), Jon Macdonald (resigned)

Annual shareholder meeting

Trade Me's inaugural annual shareholder meeting will be held at Mac's Function Centre, 4 Taranaki Street, Wellington at 4pm on Tuesday 30 October 2012.

Annual Report

Trade Me is not required to send a hard copy of its Annual Report to shareholders and 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 86.

Further information online

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

Financial statements

for the year ended 30 June 2012

Statement of comprehensive income for the year ended 30 June 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000
General items		62,408	59,487	–
Classifieds		53,904	44,717	–
Other		26,146	21,007	687
Total revenue		**142,458**	**125,211**	**687**
Employee benefit expense		(17,228)	(12,801)	–
Web infrastructure expense		(2,895)	(1,733)	–
Promotion expense		(2,602)	(3,027)	–
Other expenses	7	(13,097)	(8,929)	–
Total expenses		**(35,822)**	**(26,490)**	**–**
Share of profit from associate	14	502	514	–
Gain recognised on disposal of interest in former associate	14	3,269	–	–
Earnings before interest, tax, depreciation and amortisation		**110,407**	**99,235**	**687**
Depreciation and amortisation	10, 11	(5,165)	(3,519)	–
Earnings before interest and tax		105,242	95,716	687
Finance income	8	1,329	5,563	–
Finance costs		(4,042)	–	(4,024)
Profit/(loss) before income tax		**102,529**	**101,279**	**(3,337)**
Income tax expense	19.1	(26,937)	(31,531)	–
Profit/(loss) for the year		**75,592**	**69,748**	**(3,337)**
Total comprehensive income/(loss) for the year		**75,592**	**69,748**	**(3,337)**
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS				
Basic/diluted (cents per share)	24	19.10	17.62	

These financial statements should be read in conjunction with the notes to the financial statements on pages 50 to 83.

Statement of financial position as at 30 June 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000
ASSETS				
Cash and cash equivalents		39,135	6,012	–
Trade and other receivables	9	5,310	43,309	–
Total current assets		**44,445**	**49,321**	**–**
Property, plant and equipment	10	4,342	4,081	–
Other intangible assets	11	43,675	35,975	–
Goodwill	12	729,724	721,561	–
Investment in subsidiary	13	–	–	1,235,946
Investment in associate	14	–	546	–
Deferred tax asset	19.3	824	189	–
Total non-current assets		**778,565**	**762,352**	**1,235,946**
Total assets		**823,010**	**811,673**	**1,235,946**
LIABILITIES				
Trade and other payables	16	9,303	25,557	3,928
Interest bearing loans and borrowings	18	346	–	346
Income tax payable	19.2	8,944	16,308	–
Total current liabilities		**18,593**	**41,865**	**4,274**
Interest bearing loans and borrowings	18	165,758	–	165,758
Other non-current liabilities		80	250	–
Total non-current liabilities		**165,838**	**250**	**165,758**
Total liabilities		**184,431**	**42,115**	**170,032**
EQUITY				
Contributed equity	20	1,069,051	–	1,069,051
Share based payment reserve	23	200	–	200
Other reserves	2.3	(485,737)	749,885	–
Retained earnings		55,065	19,673	(3,337)
Total equity attributable to owners of the Company		**638,579**	**769,558**	**1,065,914**
Total equity and liabilities		**823,010**	**811,673**	**1,235,946**

For and on behalf of the Board of Directors who authorised these financial statements for issue on 21 August 2012:

David Kirk
CHAIRMAN

Joanna Perry
CHAIR OF THE AUDIT COMMITTEE

These financial statements should be read in conjunction with the notes to the financial statements on pages 50 to 83.

Statement of changes in equity for the year ended 30 June 2012

Group	Note	Ordinary shares $'000	Share based payment reserves $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 July 2010		**–**	**–**	**169,925**	**749,885**	**919,810**
Profit for the year and total comprehensive income		–	–	69,748	–	69,748
Dividends on Trade Me Limited ordinary shares	21	–	–	(220,000)	–	(220,000)
As at 30 June 2011		**–**	**–**	**19,673**	**749,885**	**769,558**
Profit for the year and total comprehensive income		–	–	75,592	–	75,592
Dividends on Trade Me Limited ordinary shares	21	–	–	(40,200)	–	(40,200)
Share based payments	23	–	200	–	–	200
Shares issued to Fairfax Digital Holdings NZ Limited	20	705,672	–	–	(705,672)	–
Initial public offering	20	363,379	–	–	–	363,379
Distribution to Fairfax New Zealand Holdings Limited	2.3	–	–	–	(529,950)	(529,950)
As at 30 June 2012		**1,069,051**	**200**	**55,065**	**(485,737)**	**638,579**

Company	Note	Ordinary shares $'000	Share based payment reserves $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 July 2011		**–**	**–**	**–**	**–**	**–**
Profit for the year and total comprehensive income		–	–	(3,337)	–	(3,337)
Share based payments	23	–	200	–	–	200
Shares issued to Fairfax Digital Holdings NZ Limited	20	705,672	–	–	–	705,672
Initial public offering	20	363,379	–	–	–	363,379
As at 30 June 2012		**1,069,051**	**200**	**(3,337)**	**–**	**1,065,914**

These financial statements should be read in conjunction with the notes to the financial statements on pages 50 to 83.

Statement of cash flows for the year ended 30 June 2012

Group	Note	2012 $'000	2011 $'000
Receipts from customers (inclusive of GST)		164,850	146,707
Payments to suppliers and employees (inclusive of GST)		(56,467)	(47,911)
Cash transferred to Trust	16	(11,771)	–
Income tax paid		(25,598)	(16,740)
Interest received		1,062	5,184
Dividends received		389	488
Net cash flows from operating activities	**28**	**72,465**	**87,728**
Proceeds from liquidation of AutoBase Limited	15	3,990	–
Payment for purchase of property, plant and equipment		(1,134)	(4,572)
Proceeds from property, plant and equipment		–	630
Payment for purchase of intangibles		(3,212)	(2,386)
Loans to related parties		(11,532)	(78,058)
Purchase of AutoBase business	15	(15,404)	–
Payment for purchase of business	17	–	(807)
Net cash flows (used in) investing activities		**(27,292)**	**(85,193)**
Payments to owners (dividends)		(8,229)	–
Interest paid on borrowings (including facility fees)		(3,821)	–
Net cash flows (used in) financing activities		**(12,050)**	**–**
Net increase in cash and cash equivalents		**33,123**	**2,535**
Cash and cash equivalents at beginning of period		6,012	3,477
Cash and cash equivalents at end of period		**39,135**	**6,012**

Company	Note
There are no cash flows for the Company	28

These financial statements should be read in conjunction with the notes to the financial statements on pages 50 to 83.

1 | General information

Trade Me Group Limited (the "Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX") and the Australian Stock Exchange ("ASX"). The address of its registered office and principal 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 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The parent entity of the Company is Fairfax Digital Holdings NZ Limited and the ultimate parent of the Company is Fairfax Media Limited, a company domiciled in Australia and listed on the ASX.

The nature of the operations and principal activities of the Company are to operate and manage all Trade Me websites including online auctions, classifieds and group buying.

2 | Summary of significant accounting policies

2.1 Statement of compliance

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

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

The financial statements were authorised for issue by the Board of Directors on 21 August 2012.

2.2 Basis of preparation

The Group financial statements have been prepared on a historical cost basis.

The principal accounting policies adopted in the preparation of the financial statements are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction and other events is reported. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

2.3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimation, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these financial statements:

Group reorganisation

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

To reflect the substance of the reorganisation the consolidated financial statements have been prepared as a continuation of Trade Me Limited, as accounted for by its previous holding company FNZHL and adjusted for the impact of the initial public offer (IPO), using the book value method of accounting.

The book value method of accounting involves:

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

The book values of goodwill and intangible assets reported in FNZHL's consolidated financial statements arose from FNZHL's original acquisition of Trade Me Limited in 2006. The use of these existing book values in the Group's statement of financial position, together with the new share capital and debt, resulted in a debit adjustment on consolidation of $485.7 million which is recorded in reserves.

The consideration of $1,235.7 million for the acquisition of Trade Me Limited was funded through:

- the gross proceeds from the initial public offer (IPO) of $363.4 million;
- cash of $166.0 million drawn down under the Company's debt facility;
- the issue of 261.4 million shares at a total value of $705.7 million to Fairfax Digital Holdings NZ Limited, a wholly owned subsidiary of FNZHL; and
- cash paid of $0.7 million for the executive share plan.

The cash proceeds from the initial public offer and debt facility were not received by the Company and instead were paid directly to entities within the wider Fairfax Group. Accordingly, these transactions are not included in the statement of cash flows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment testing of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the Group's cash-generating units and a suitable discount rate in order to calculate the present value. An increase in the discount rate applied of 1% would result in no impairment of goodwill.

2.4 Functional and presentation currency

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

2.5 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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 financial statements.

2.6 Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.6 above) less accumulated impairment losses, if any.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of the fair value less cost to sell or the value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and impairment testing of the carrying amount is described at 2.8 below.

2.8 Investments in associates

Investments in associates are accounted for using the equity method of accounting. Associates are entities over which the Company has significant influence and that are neither subsidiaries nor joint ventures.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit from associate" in profit or loss.

2.9 Revenue recognition and prepaid commissions

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

Member income

Income from members is recognised when either:

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

The Group operates member prepay accounts, where members deposit funds on account for future use of Trade Me services. From 1 November 2011 Trade Me Limited changed its terms and conditions to state that all member funds are now held on bare trust on behalf of members. The funds were separated from the Group's working capital and are now held in a separate bank account. Because the funds are now held on trust, the cash is no longer considered an asset or income received in advance, and so the cash and related prepaid member liability have been removed from the Group's statement of financial position (refer note 16).

Other service income

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

Finance income

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

2.10 Interest bearing liabilities

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

2.11 Finance costs

Finance costs include interest on external debt (borrowing costs) and amortisation of associated transaction costs. All borrowing costs are expensed in the period they occur.

2.12 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.

2.13 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an on-going basis and a provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, or amounts significantly overdue are considered objective evidence of impairment.

2.14 Goods and Service Tax ("GST")

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. GST paid to the taxation authority is included within payments to suppliers and employees in the statement of cash flows.

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

2.15 Income tax

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

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

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

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

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

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

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

2.16 Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets.
Major depreciation categories are as follows:

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

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

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

2.17 Other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses.

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

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

Acquired software licenses and costs directly incurred in purchasing or developing computer software are capitalised as intangible assets when it is probable that they will generate future economic benefits for the Group. Website development costs include external costs, and wages and overheads that are directly attributable to the website development.

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

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

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

Intangible assets with indefinite useful lives are tested for impairment as outlined in 2.18 below.

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

2.18 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.19 Trade and other payables

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

2.20 Employee entitlements

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

2.21 Share based payments

Equity settled employee share plans

The cost of equity settled employee share plans is measured based on the fair value of shares or options at the date on which they are granted. 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 shares/options expected to vest. If there are no vesting conditions, the total cost is recognised at grant date.

Cash settled employee share plans

The cost of cash settled transactions is measured at fair value and is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

2.22 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date using a discounted cash flow methodology. The increase in the liability as a result of the passage of time is recognised in finance costs.

2.23 Leases

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

Operating leases – Group as lessee

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 allocating lease payments between rental expense and reduction of the liability.

2.24 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.25 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.26 Earnings per share

The legal share capital of the Company and Group during the year ended 30 June 2011 was nil. Because the share issue in December 2011 did not result in a change in total equity for the Group, basic and diluted earnings per share has been calculated using the shares on issue as at 30 June 2012 rather than the weighted average for both the current and comparative period.

2.27 Operating segments

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

2.28 Non-GAAP reporting measures

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

- EBIT (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income and expense, as reported in the financial statements.
- 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.
- EBITDAG (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation, and gain on disposal on associate as reported in the financial statements.

3 | New standards, amendments and interpretation

Standards, amendments and interpretation effective in the current period

The following are the new or revised standards, amendments and interpretations applicable to the Group which are in issue that are not yet required to be adopted by the Group in preparing its financial statements for the year ended 30 June 2012:

Standard/interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 'Financial Instruments'	1 January 2015	30 June 2016
NZ IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
NZ IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
NZ IFRS 13 'Fair Value Measurement'	1 January 2013	30 June 2014
NZ IAS 27 'Separate Financial Statements'	1 January 2013	30 June 2014
Amendments to NZ IAS 19 'Employee Benefits'	1 January 2013	30 June 2014
Improvements to IFRS: 2009 – 2011 cycle	1 January 2013	30 June 2014

The financial statement impact of adoption of these standards, amendments and interpretations are not expected to have a material impact on the financial statements reported by the Group.

Adoption of new and revised standards, amendments and interpretations

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

- Amendments to NZ IFRS 7 Financial Instruments: Disclosures
- Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards
- FRS 44 NZ Additional Disclosures
- Amendments to FRS 44 NZ Additional Disclosures
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Appendix E
- Amendments to NZ IAS 24 Related Party Disclosures
- Revised improvements to NZ IFRS (2010)

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

4 | Comparison against prospectus forecast

4.1 Statement of comprehensive income vs. prospectus forecast

Group	Actual 30 June 2012 $'000	Reclassified forecast* 30 June 2012 $'000	Original forecast** 30 June 2012 $'000
General items	62,408	61,880	64,800
Classifieds	53,904	51,100	51,100
Other	26,146	28,397	28,900
Total revenue	**142,458**	**141,377**	**144,800**
Employee benefit expense	(17,228)	(17,500)	(17,500)
Promotion expense	(2,602)	(3,580)	(6,500)
Web infrastructure expense	(2,895)	(3,100)	(3,100)
Other expenses	(13,097)	(12,297)	(12,800)
Total expenses	**(35,822)**	**(36,477)**	**(39,900)**
Share of profit from associate	502	600	600
Earnings before interest, tax, depreciation, amortisation, and gain on associate	**107,138**	**105,500**	**105,500**
Gain recognised on disposal of interest in former associate	3,269	–	–
Earnings before interest, tax, depreciation and amortisation	**110,407**	**105,500**	**105,500**
Depreciation and amortisation	(5,165)	(5,300)	(5,300)
Earnings before interest and tax	**105,242**	**100,200**	**100,200**
Finance income	1,329	900	900
Finance costs	(4,042)	(5,500)	(5,500)
Profit before income tax	**102,529**	**95,600**	**95,600**
Income tax expense	(26,937)	(26,900)	(26,900)
Profit for the year	75,592	68,700	68,700
Total comprehensive income for the year	**75,592**	**68,700**	**68,700**

* For comparability purposes the 30 June 2012 prospectus forecast has been reclassified in accordance with the reclassification of the 30 June 2011 comparatives in the statement of comprehensive income (refer note 5).

** The forecast numbers for the year ended 30 June 2012 formed part of the investment statement and prospectus dated 9 November 2011.

Earnings before gain on associate, interest, tax, depreciation and amortisation for the period was $1.6 million (1.6%) ahead of the prospectus forecast.

Revenue was slightly above forecast by $1.1 million (0.8%), reflecting strength in the 'classifieds' businesses, partially offset by lower than forecast 'other' revenue.

Expenses were slightly below forecast by $0.7 million (1.8%), primarily due to slower than anticipated hiring of staff and realised cost savings in marketing spend.

4.2 Statement of financial position vs. prospectus forecast

Group	Actual as at 30 June 2012 $'000	Forecast* as at 30 June 2012 $'000
ASSETS		
Cash and cash equivalents	39,135	43,000
Trade and other receivables	5,310	4,500
Total current assets	**44,445**	**47,500**
Property, plant and equipment	4,342	5,100
Other intangible assets	43,675	36,500
Goodwill	729,724	721,600
Investment in associate	–	600
Deferred tax asset	824	200
Total non-current assets	**778,565**	**764,000**
Total assets	**823,010**	**811,500**
LIABILITIES		
Trade and other payables	9,303	5,400
Interest bearing loans and borrowings	346	–
Income tax payable	8,944	8,400
Total current liabilities	**18,593**	**13,800**
Interest bearing loans and borrowings	165,758	166,000
Other non-current liabilities	80	300
Total non-current liabilities	**165,838**	**166,300**
Total liabilities	**184,431**	**180,100**
EQUITY		
Contributed equity	1,069,051	1,069,200
Share based payment reserve	200	–
Other reserves	(485,737)	(485,300)
Retained earnings	55,065	47,500
Total equity attributable to owners of the Company	**638,579**	**631,400**
Total equity and liabilities	**823,010**	**811,500**

* The forecast numbers as at 30 June 2012 formed part of the investment statement and prospectus dated 9 November 2011.

Total non-current assets are above forecast by $14.6 million (1.4%) driven largely by the unanticipated purchase of the AutoBase business by way of asset purchase.

Total liabilities are above forecast by $4.3 million (2.4%) as a result of unanticipated and higher than expected trade payables at year end.

4.3 Statement in changes of equity vs. prospectus forecast

Group	Actual 30 June 2012 $'000	Forecast* 30 June 2012 $'000
OPENING EQUITY	**769,558**	**769,700**
Profit and total comprehensive income for the period	75,592	68,700
Pre-offer dividends on ordinary shares	(40,200)	(41,000)
Share based payments	200	–
SHARES ISSUED:		
Shares issued to prospective investors	363,379	363,500
Shares issued to Fairfax Media Subsidiary Shareholder	705,672	705,700
Cash payment to Fairfax Media related entities for transfer of Trade Me	(529,950)	(529,500)
Re-issue of shares for transfer of Trade Me	(705,672)	(705,700)
Total equity	**638,579**	**631,400**
REPRESENTED BY:		
Contributed equity	1,069,051	1,069,200
Share based payment reserve	200	–
Other reserves	(485,737)	(485,300)
Retained earnings	55,065	47,500
Total equity	**638,579**	**631,400**

* The forecast statement of changes in equity for the year ended 30 June 2012 formed part of the investment statement and prospectus dated 9 November 2011. There were no significant departures from forecast other than profit for the year.

4.4 Statement of cash flows vs. prospectus forecast

Group	Actual 30 June 2012 $'000	Forecast* 30 June 2012 $'000
Receipts from customers (inclusive of GST)	164,850	165,000
Payments to suppliers and employees (inclusive of GST)	(56,467)	(60,800)
Cash transferred to Trust	(11,771)	(12,000)
Income tax (paid)	(25,598)	(25,400)
Interest received	1,062	900
Dividends received	389	600
Net cash flows from operating activities	**72,465**	**68,300**
Proceeds from liquidation of AutoBase Limited	3,990	–
Payment for purchase of property, plant and equipment	(1,134)	(4,100)
Payment for purchase of intangibles	(3,212)	(2,800)
Payment for purchase of AutoBase business	(15,404)	–
Proceeds from settlement of related party loans**	(11,532)	22,100
Net cash flows (used in) investing activities	**(27,292)**	**15,200**
Payments to owners**	–	(529,500)
Interest paid on borrowings (including facility fees)	(3,821)	(5,500)
Proceeds from issue of capital**	–	363,500
Proceeds from borrowings**	–	166,000
Dividends paid**	(8,229)	(41,000)
Net cash flows (used in) financing activities	**(12,050)**	**(46,500)**
Net increase in cash and cash equivalents	**33,123**	**37,000**
Cash and cash equivalents at beginning of period	6,012	6,000
Cash and cash equivalents at end of period	**39,135**	**43,000**

* The forecast statement of cash flows for the year ended 30 June 2012 formed part of the investment statement and prospectus dated 9 November 2011.

** The forecast statement of cash flows showed anticipated cash flows as a result of the group reorganisation and initial public offering process (refer note 2.3). However through a change in the settlement arrangement with FNZHL, these inflows and outflows of cash and cash equivalents did not pass through the Group, and are therefore appropriately excluded from the statement of cash flows.

Net cash flows from operating activities is $4.2 million (6.1%) above forecast. The main contributing factors arise from a decrease in payments to suppliers and employees which is driven by the larger than expected trade payables as at 30 June 2012.

The $15.4 million purchase of the AutoBase business (refer note 14 and 15) was not anticipated at the time of the prospectus.

5 | Comparatives

During the prior year volume rebates and other direct costs were included within “other expenses” and “promotion expense” in the Trade Me Limited statement of comprehensive income. In the current financial year, volume rebates and other direct costs have been reclassified to offset against associated revenue in order to more accurately reflect the fair value of revenue received. As a result in the comparative year “other expenses” and “promotion expenses” have reduced in total by $3.6 million as has “revenue”.

In the Trade Me Limited 30 June 2011 statement of comprehensive income, depreciation and amortisation were included within “other expenses”. In the current financial year depreciation and amortisation have been separately disclosed in the statement of comprehensive income to align the presentation with the Trade Me Group Limited prospectus. As a result the comparative year disclosure for 30 June 2011 has reclassified $3.5 million from “other expenses” to “depreciation and amortisation” in the statement of comprehensive income.

In accordance with NZ IAS 1 – *Presentation of Financial Statements*, a third balance sheet has not been disclosed as comparative opening balances need no adjustment.

Group	Prospectus disclosure* 30 June 2011 $'000	Original disclosure 30 June 2011 $'000	Revised disclosure 30 June 2011 $'000
General items			59,487
Classifieds			44,717
Other			21,007
Total revenue	**128,804**	**128,804**	**125,211**
Employee benefit expense		(12,801)	(12,801)
Web infrastructure expense		(1,733)	(1,733)
Promotion expense		(5,085)	(3,027)
Other expenses		(14,565)	(8,929)
Total expenses	**(30,665)**	**(34,184)**	**(26,490)**
Share of profit from associate	514	514	514
Depreciation and amortisation	(3,519)	–	(3,519)
Gain on disposal of plant and equipment	582	582	–
Earnings before interest and tax	**95,716**	**95,716**	**95,716**

* The statement of comprehensive income for the year ended 30 June 2011 disclosure included in the investment statement and prospectus dated 9 November 2011.

6 | Segment reporting

6.1 Services from which reportable segments derive their revenues

Directors have determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer to assess performance, allocate resources and make strategic decisions.

The Group's reportable segments are therefore as follows:

General items

Success fees make up the largest proportion of revenue for the General Items reportable segment, and are driven by both the number of completed transactions (listings sold) and the total sales value of completed transactions.

Classifieds

Classifieds revenue is primarily from basic and premium listing fees from the three classified businesses:

- Motors;
- Property; and
- Jobs.

Other

Other revenue includes:

- Advertising;
- Travel;
- FindSomeone;
- Pay Now; and
- Treat Me.

6.2 Segment revenues and reconciliation to overall result

The following is an analysis of the Group's revenue from continuing operations by reportable segment. A reconciliation has been performed to the statement of comprehensive income, however the Group does not currently allocate or report expenses to the Chief Executive Officer by operating segment. Therefore a measure of operating segment profit or loss is not disclosed below.

Group	2012 $'000	2011 $'000
General items	62,408	59,487
Classifieds	53,904	44,717
Other	26,146	21,007
Total revenue from continuing operations	**142,458**	**125,211**
Operating expenses	(35,822)	(26,490)
Depreciation and amortisation	(5,165)	(3,519)
Share of profit from associate	502	514
Gain recognised on disposal of interest in former associate	3,269	–
Finance income	1,329	5,563
Finance costs	(4,042)	–
Profit before income tax	**102,529**	**101,279**

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

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in the current period (2011: nil).

6.3 Segment assets and liabilities

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

6.4 Other information

Geographical

The Group operates within New Zealand, and derived no material revenue from foreign countries for the year ended 30 June 2012 (2011: nil).

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2012 (2011: nil).

7 | Other expenses include

Group	2012 $'000	2011 $'000
Loss/(gain) on disposal of plant and equipment	2	(582)
Donations	76	83
Net foreign exchange gains	10	1
Operating lease expenditure including rent	**972**	**835**
REMUNERATION TO THE AUDITORS INCLUDED:		
Audit of annual financial statements	98	75
Review of interim (half year) financial statements	41	–
Preparation of greenhouse gas emissions reporting ('CarboNZero')	7	–
Tax advisory	2	–
Total remuneration paid or payable to Ernst & Young	**148**	**75**

8 | Finance income

Group	Note	2012 $'000	2011 $'000
Short term bank deposits		819	41
Loans to related parties	25	476	4,801
IRD use of money interest		34	721
Total finance income		**1,329**	**5,563**

9 | Trade and other receivables

Group	Note	2012 $'000	2011 $'000
Trade receivables		3,963	3,328
Provision for doubtful debts		(122)	(94)
Prepayments		174	351
Accrued revenue		396	290
Amounts due from related parties	25	899	39,434
Total trade and other receivables		**5,310**	**43,309**
MOVEMENT IN THE PROVISION FOR DOUBTFUL DEBTS WERE AS FOLLOWS:			
Opening balance		94	256
Charge for the year		285	74
Amounts written off		(257)	(236)
Closing balance		**122**	**94**
AGEING OF PAST DUE IMPAIRED AND NOT IMPAIRED TRADE RECEIVABLES			
0–30 days		3,678	3,111
31–60 days		131	95
31–60 days (considered impaired)		1	23
61–90 days (past due but not impaired)		32	18
61–90 days (considered impaired)		1	4
> 90 days (past due but not impaired)		–	9
> 90 days (considered impaired)		120	68
Total trade receivables		**3,963**	**3,328**

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 2010		**66**	**8,704**	**892**	**9,662**
Additions		78	1,790	143	2,011
Disposals		(12)	(280)	(1)	(293)
Balance at 30 June 2011		**132**	**10,214**	**1,034**	**11,380**
Additions		13	2,240	409	2,662
Acquisition as part of business combination	15	–	39	18	57
Disposals		–	–	(9)	(9)
Balance at 30 June 2012		**145**	**12,493**	**1,452**	**14,090**
ACCUMULATED DEPRECIATION					
Balance at 1 July 2010		**(38)**	**(5,054)**	**(410)**	**(5,502)**
Disposals		8	236	–	244
Depreciation		(11)	(1,912)	(118)	(2,041)
Balance at 30 June 2011		**(41)**	**(6,730)**	**(528)**	**(7,299)**
Disposals		–	–	4	4
Depreciation		(27)	(2,297)	(129)	(2,453)
Balance at 30 June 2012		**(68)**	**(9,027)**	**(653)**	**(9,748)**
NET BOOK VALUE					
Balance at 30 June 2011		**91**	**3,484**	**506**	**4,081**
Balance at 30 June 2012		**77**	**3,466**	**799**	**4,342**

11 | Other intangible assets

Group	Note	Brand $'000	Software $'000	Development costs $'000	Other $'000	Total $'000
GROSS CARRYING AMOUNT						
Balance at 1 July 2010		**32,691**	**1,831**	**2,980**	**376**	**37,878**
Additions		–	406	1,980	–	2,386
Disposals		–	–	–	–	–
Balance at 30 June 2011		**32,691**	**2,237**	**4,960**	**376**	**40,264**
Additions		–	446	2,766	–	3,212
Acquisition as part of business combination	15	–	7,200	–	–	7,200
Disposals		–	–	(1,766)	–	(1,766)
Balance at 30 June 2012		**32,691**	**9,883**	**5,960**	**376**	**48,910**
ACCUMULATED AMORTISATION						
Balance at 1 July 2010		**–**	**(986)**	**(1,810)**	**(15)**	**(2,811)**
Disposals		–	–	–	–	–
Amortisation		–	(437)	(966)	(75)	(1,478)
Balance at 30 June 2011		**–**	**(1,423)**	**(2,776)**	**(90)**	**(4,289)**
Disposals		–	–	1,766	–	1,766
Amortisation		–	(847)	(1,773)	(92)	(2,712)
Balance at 30 June 2012		–	(2,270)	(2,783)	(182)	(5,235)
NET BOOK VALUE						
Balance at 30 June 2011		**32,691**	**814**	**2,184**	**286**	**35,975**
Balance at 30 June 2012		**32,691**	**7,613**	**3,177**	**194**	**43,675**

12 | Goodwill

Group	Note	Goodwill $'000
GROSS CARRYING AMOUNT		
Balance at 1 July 2010		721,561
Additions		–
Disposals		–
Balance at 30 June 2011		721,561
Additions		
Acquisition as part of business combination	15	8,163
Disposals		–
Balance at 30 June 2012		**729,724**
ACCUMULATED IMPAIRMENT		
Balance at 1 July 2010		**–**
Disposals		–
Impairment		–
Balance at 30 June 2011		**–**
Disposals		–
Impairment		–
Balance at 30 June 2012		**–**
NET BOOK VALUE		
Balance at 30 June 2011		**721,561**
Balance at 30 June 2012		**729,724**

12.1 Allocation of goodwill and brand to cash generating units

Management reviews the business performance for three reporting segments (refer note 6), being separately identifiable cash generating units. Due to the substantial change arising as a result of the group reorganisation (refer note 2.3), the goodwill has been reallocated to these three segments. Prior to the Group reorganisation goodwill and brand was allocated to Trade Me as one cash generating unit. The balance of goodwill is also monitored by management at the operating segment level. The following is a summary of goodwill and brand allocation for each cash generating unit:

	Goodwill		Brand	
Cash generating unit	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade Me Group	–	721,561	32,691	32,691
General Items	295,663	–	–	–
Classifieds	355,806	–	–	–
Other	78,255	–	–	–
Total	**729,724**	**721,561**	**32,691**	**32,691**

General items, Classifieds and Other

The recoverable amount for the 'General items', 'Classifieds' and 'Other' cash-generating units is determined based on value in use calculations. These calculations use cash flow projections based on the 2013 financial budgets approved by the directors extrapolated over a five-year period, and a discount rate of 10.02% per annum.

Cash flow projections during the budget period are based on the same (or lower) expected revenue growth rates as approved by the directors in the budget process. The discounted cash flow valuations were calculated using projected five year future cash flows, based on Board approved business plans. Cash flows beyond five years have been extrapolated using a post-tax discount rate of 10.03%, and a conservative terminal growth rate of 2.5%.

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 (2011: nil). The Directors believe that any reasonable possible change in the key assumptions including an increase in the discount rate applied, would not cause the carrying amount to exceed its recoverable amount.

12.2 Brand

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

13 | Subsidiaries

Details of the Group subsidiaries at balance date are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Ownership interests and voting rights 2012	2011
Trade Me Limited	Operate and manage all Trade Me websites including the online marketplace, classifieds and group buying.	New Zealand	100%	100%
Old Friends Limited	Non-trading.	New Zealand	100%	n/a
Trade Me Travel Trustees Limited	Non-trading.	New Zealand	n/a	100%

Refer to note 2.3 for details of the acquisition of Trade Me Limited in December 2011.

14 | Investment in associate

The Group had a 25.4% interest in AutoBase Limited, an unlisted company incorporated in New Zealand. AutoBase Limited had a 31 March balance date and did not change its balance date to match the Group because the other Shareholders of AutoBase Limited were New Zealand shareholders with 31 March balance dates.

On 30 April 2012 the Group purchased the assets and liabilities constituting the business of AutoBase (refer note 15).

14.1 Movement in the carrying amount of investment in AutoBase Limited

Group	2012 $'000	2011 $'000
Opening balance	**546**	**519**
Dividends received	(389)	(487)
Share of profit	502	514
Effective disposal of associate	(659)	–
Total investment in associate	**–**	**546**

As set out in note 15, the AutoBase business was acquired on 30 April 2012. On acquisition of the business, the existing associate carrying amount was remeasured at its acquisition date fair value with the resulting gain recognised in profit or loss. This results in an effective disposal of the existing investment in associate as part of the recognition of the new business. The associate was subsequently put into voluntary liquidation, with the net proceeds distributed to shareholders.

	$'000
Carrying value of associate prior to business combination	659
Gain recognised on measurement at fair value	3,269
Fair value of equity interest in AutoBase Limited (note 15)	**3,928**

14.2 Summarised financial information of associate

	For the year ended 31 March 2011 $'000
Current assets	736
Non-current assets	110
Current liabilities	(683)
Net assets	**163**
Revenue	7,815
Profit	**1,894**

15 | Business combinations

On 30 April 2012 the Group purchased the assets and liabilities constituting the business of AutoBase from AutoBase Limited, a company in which the Group held a 25.4% shareholding, and accounted for as an associate (refer note 14). AutoBase is an online 'Dealer-only' doorway to Trade Me Motors providing online services and solutions to dealers and classified dealer listings.

As a result of the acquisition above, the Group is expected to be a more significant provider of dealer online services, as well as reducing costs through economies of scale.

On 1 May 2012 following the sale of its assets and liabilities, AutoBase Limited was put into voluntary liquidation and the proceeds from the sale of the assets and liabilities of AutoBase Limited were distributed to the shareholders in accordance with their proportionate equity interest.

Assets and liabilities acquired at the date of acquisition

Group	2012 $'000
Software	7,200
Property, plant and equipment	57
Goodwill (i)	8,163
Other liabilities	(16)
Total	**15,404**
SATISFIED BY:	
Cash paid	15,466
Cash realised on liquidation of AutoBase (ii)	(3,990)
Fair value of equity interest in AutoBase held before the business combination (ii)	3,928
Fair value of consideration paid	**15,404**

(i) Goodwill of $8.2 million arose in the business combination because the cost of the combination effectively includes amounts in relation to the benefits of economies of scale and revenue growth. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for intangible assets. None of the goodwill is expected to be deductible for tax purposes.

(ii) The fair value of the Group's equity interest in AutoBase held before the business combination amounted to $3.9 million which was realised upon liquidation of AutoBase. The Group recognised a gain of $3.3 million as a result of measuring at fair value its 25.4% equity in AutoBase held before the business combination. The gain is included in profit or loss for the year ended 30 June 2012.

The revenue included in the Group statement of comprehensive income since 30 April 2012 contributed from the AutoBase business was $1.6 million. Contributed profits from the purchase of the AutoBase assets are not measured or reported to this level of detail.

Acquisition-related costs included in other expenses in the Group statement of comprehensive income for the year amounted to $0.1 million.

Had the assets and liabilities in the AutoBase business been purchased from 1 July 2011, the Group statement of comprehensive income would have included revenue of $9.3 million. Profits from the AutoBase business are not measured or reported to this level of detail.

16 | Trade and other payables

		Group		Company
	Note	2012 $'000	2011 $'000	2012 $'000
Trade payables		2,680	1,084	–
Related party payables	25	203	9,309	3,789
Accrued expenses		4,059	3,106	15
Revenue in advance		1,366	1,250	–
Prepaid member accounts		–	10,236	–
Employee entitlements		995	572	124
Total trade and other payables		**9,303**	**25,557**	**3,928**

From 1 November 2011 Trade Me Limited changed its terms and conditions to state that all member funds are now held on bare trust on behalf of members. On 1 November 2011 $11.8m of funds were separated from the Group's working capital and are now held in a separate bank account. Because the funds are now held on trust, the cash is no longer considered an asset to the Group and so the cash and related prepaid member liability have been removed from the statement of financial position.

17 | Provisions

Group	2012 $'000	2011 $'000
Opening balance	**–**	**807**
Provision utilised	–	(811)
New provision recognised	–	–
Interest accrued	–	4
Retention for BookIt acquisition	**–**	**–**

In the prior year the Group retained $800,000 of the purchase consideration of the BookIt assets to cover any liabilities that may have arisen in the 12 months post acquisition. Interest was earned at 2% per annum and a total of $811,303 was paid to the previous owners on 20 January 2011.

18 | Interest bearing loans and borrowings

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
Committed cash advance facility	166,000	–	166,000
Deferred funding costs	(242)	–	(242)
Accrued interest	346	–	346
Total interest bearing liabilities	**166,104**	**–**	**166,104**
Current portion	346	–	346
Non-current portion	165,758	–	165,758
Total interest bearing liabilities	**166,104**	**–**	**166,104**

The Commonwealth Bank of Australia has provided a $200.0 million committed cash advance loan facility to the Company. The facility was partially drawn down on 13 December 2011 and is for a term of three years ending 13 December 2014.

The interest rate is reset every 90 days (refer note 26).

The facility is guaranteed by the Company and its wholly owned subsidiary Trade Me Limited. The covenants entered into by the Group require specific calculations of the Group's net debt to earnings before interest, tax, depreciation and amortisation, and interest cover.

There have been no covenant breaches.

19 | Tax

19.1 Income tax recognised in profit or loss

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
TAX EXPENSE COMPRISES:			
Current tax charge	27,572	30,896	(1,185)
Deferred tax income relating to the origination and reversal of temporary differences	(635)	635	1,185
Total tax charge	**26,937**	**31,531**	**–**

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

Profit/(loss) before income tax	102,529	101,279	(3,337)
Income tax expense calculated at 28% (2011: 30%)	28,708	30,384	(934)
Non-deductible expenses	98	38	33
Non-assessable income	(1,074)	(154)	(192)
Other	(795)	1,263	1,093
Total tax charge	**26,937**	**31,531**	**–**

19.2 Current tax assets and liabilities

Group	2012 $'000	2011 $'000
CURRENT TAX LIABILITY:		
Tax payable	8,944	16,308
Total tax payable	**8,944**	**16,308**

19.3 Deferred tax balances

Group	2012 $'000	2011 $'000
DEFERRED TAX COMPRISES:		
Deferred tax asset	824	689
Deferred tax liability	–	(500)
Net deferred tax	**824**	**189**

Company

There is an unrecognised deferred tax asset for the parent of $1.2 million consisting of tax losses which will be surrendered to the tax group for nil consideration (2011: nil).

Group 2012	Opening balance $'000	Charged to profit or loss $'000	Closing balance $'000
DEFERRED TAX ASSETS:			
Doubtful debts	26	46	72
Deferred income	272	(95)	177
Other	391	184	575
Total deferred tax assets	**689**	**135**	**824**
DEFERRED TAX LIABILITIES:			
Other	(500)	500	–
Total deferred tax liabilities	**(500)**	**500**	**–**
Net deferred tax	**189**	**635**	**824**

Group 2011	Opening balance $'000	Charged to profit or loss $'000	Closing balance $'000
DEFERRED TAX ASSETS:			
Doubtful debts	74	(48)	26
Property, plant and equipment	22	(22)	–
Deferred income	250	22	272
Other	478	(87)	391
Total deferred tax assets	**824**	**(135)**	**689**
DEFERRED TAX LIABILITIES:			
Other	–	(500)	(500)
Total deferred tax liabilities	**–**	**(500)**	**(500)**
Net deferred tax	**824**	**(635)**	**189**

19.4 Imputation credit account balances

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
Closing balance	**17,953**	**214**	**–**

20 | Contributed equity

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
Balance at beginning of period	**–**	**–**	**–**
Ordinary shares issued during the period	1,069,051	–	1,069,051
Balance at end of the period	**1,069,051**	**–**	**1,069,051**

On 13 December 2011, 396.0 million Trade Me Group Limited shares were issued as a result of the IPO. This included 261.4 million shares issued to Fairfax Digital Holdings NZ Limited with an issue date fair value of $705.7 million as part consideration for the purchase of Trade Me Limited. This also included 134.6 million shares which were issued to investors and employees raising $363.4 million. Further details of the initial public offering are outlined in note 2.3.

20.1 Movement in ordinary shares on issue

	Group		Company
	2012 '000	2011 '000	2012 '000
Balance at beginning of period	**–**	**–**	**–**
Issue of ordinary shares (13 December 2011)	396,000	–	396,000
Balance as at 30 June 2012 (number of shares)	**396,000**	**–**	**396,000**

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares do not have a par value. The contributed equity for the comparative period is nil which reflects the legal share capital of the Company prior to the IPO. Of the shares on issue, 254,490 are set aside for the 'Post-IPO long term incentive scheme' (refer note 23.1).

21 | Dividend paid or authorised

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
Fully imputed dividend on Trade Me Limited ordinary shares: $206.44 per share	40,200	220,000	–
Dividends declared and proposed after the reporting date, but not recorded as a liability in these financial statements: 7.8 cents per share	30,868	–	30,868

22 | Compensation of key management personnel

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

Group	Year Ended 2012 $'000	Year Ended 2011 $'000
Short-term benefits	1,965	1,550
Share-based payments	131	83

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

23 | Share based payment plans

23.1 Post-IPO long term incentive scheme

The Company issued 254,490 restricted shares to management on 13 December 2011. 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.

Reclassification of the restricted shares into ordinary shares will only occur if the following qualification criteria are met:

- the Company achieves an EBITDA of $110.9 million during the period commencing 1 January 2012 and ended 31 December 2012; and
- the participant remains in continuous full-time employment with Trade Me until 31 December 2013.

The Company has determined that the fair value of the restricted shares issued during the period is equivalent to the IPO issue price of $2.70 per share.

The Group expense recognised in the current period was $0.3 million, with a corresponding liability for PAYE of $0.1 million and an increase in equity of $0.2 million.

There have been no cancellations or modifications to the plan during 2012 and 2011.

23.2 Pre-IPO executive incentive scheme

New Zealand senior executives were incentivised by way of a cash bonus based on the equity-based incentive scheme. Under this plan, the cash value of a percentage of an eligible employee's annual total fixed remuneration was in the form of nominally allocated Fairfax Media Limited shares. The nominally allocated shares will vest if the eligible employee remains in employment three calendar years from the date the rights are allocated and certain performance hurdles are satisfied. If the allocation does not vest at the end of year three, a re-test of the performance hurdles occurs in the fourth year. Cash payments equivalent to dividends on the allocated shares during the vesting period are paid directly to the eligible employee and the Company does not have any recourse to dividends paid.

There have been no cancellations or modifications to the plan during 2012 and 2011.

24 | Earnings and net tangible assets per share

24.1 Earnings per share

Group	2012	2011
Basic and diluted earnings per share (cents)	19.10	17.62
Basic and diluted weighted average number of ordinary shares ('000's)	395,746	395,746

The earnings used in the calculation of basic and diluted earnings per share is the profit after tax of $75.6 million for the year ended 30 June 2012 (2011: $69.7 million).

The legal share capital of the Group during the year ended 30 June 2011 was nil. Because the share issue in December 2011 did not result in a change in total equity for the Group, basic and diluted earnings per share for the year has been calculated using the shares on issue as at 30 June 2012, as though they were on issue throughout both the 2011 and 2012 financial years (there were no shares issued during the year other than during the IPO) rather than a weighted average for both the current and comparative periods. The 254,490 restricted shares have been excluded from shares on issue for the purposes of the earnings per share calculation.

24.2 Net tangible assets per share

Group	2012	2011
Net tangible assets per share (cents)	(34.07)	3.04
Basic and diluted weighted average number of ordinary shares ('000's)	395,746	395,746

The calculation of net tangible assets per share for 30 June 2012 and the comparative period is Group total net assets less goodwill and intangible assets, divided by the number of shares on issue as at 30 June 2012.

25 | Related party transactions

The Company is a majority owned subsidiary of Fairfax Digital Holdings NZ Limited. The ultimate parent of the Company is Fairfax Media Limited, which is a company domiciled in Australia and listed on the Australian Stock Exchange.

At 30 June 2011, Trade Me Limited was one of a number of Fairfax companies that were party to an agreement to guarantee the borrowings of the Fairfax Media Limited group. The total debt subject to such guarantee was A$1,532.0 million. As a result of the Fairfax sell down of Trade Me Limited shares during the year, the guarantee was lifted against Trade Me Limited and does not exist as at 30 June 2012.

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

Pre-restructure transactions

- Trade Me Limited declared and paid a dividend of $40.2 million to Fairfax New Zealand Holdings Limited prior to the IPO of shares in Trade Me Group Limited (2011: $220 million).
- Trade Me Limited provided net treasury funding of $10.8 million to Fairfax Media Group Finance Pty Limited during the period (2011: $78.1 million).
- Trade Me Limited repaid $9.3 million owing to Fairfax New Zealand Limited for the utilisation of tax losses for the 2010 tax year. Trade Me Limited paid Fairfax New Zealand Limited and Fairfax New Zealand Holdings Limited a combined total of $9.4 million for utilisation of tax losses for the 2011 tax year.

Restructure transactions

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

All IPO costs were borne by Fairfax Media Limited.

All operating and administrative costs for the Company are borne by Trade Me Limited. The Company interest costs of $4 million (2011: nil) were paid by Trade Me Limited.

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

	Group		Company
	2012 $'000	2011 $'000	2012 $'000
Fairfax Media Limited	892	–	–
Fairfax Media Group Finance Pty Limited	–	39,156	–
Fairfax New Zealand Limited	–	(9,309)	–
Fairfax New Zealand Holdings Limited	(203)	–	–
AutoBase Limited	–	256	–
Stayz Limited	7	22	–
Trade Me Limited	–	–	(3,789)

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

Group	Provision of services 2012 $'000	Provision of services 2011 $'000	Purchases of services 2012 $'000	Purchases of services 2011 $'000
Fairfax Media Group Finance Pty Limited	476	4,801	–	–
Fairfax New Zealand Limited	660	499	(184)	(127)
AutoBase Limited	2,702	2,814	–	–
Stayz Limited	81	103	–	–

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

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

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

The Group received commissions, fees and dividends from AutoBase Limited.

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

The transactions with AutoBase Limited exclude the purchase of assets and liabilities, and the proceeds from liquidation (refer notes 14 and 15).

Key management personnel costs have been separately disclosed at note 22. Other than normal fees charged to management and staff for the use of online Trade Me services, there were no other transactions or balances outstanding for the year ended 30 June 2012.

Pursuant to the Trade Me Group Limited prospectus 77,330 shares (in total), were gifted to eligible employees during the IPO from Fairfax Digital Holdings NZ Limited.

26 | Financial instruments

26.1 Capital management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to shareholders, and to optimise the debt and equity balances to reduce the cost of capital.

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

Other than debt covenants (refer note 18) the Group is not subject to any other externally imposed capital requirements.

26.2 Financial risk management

The Group engages business in New Zealand and in the normal course of business is exposed to a variety of financial risk which includes:

- Market risk;
- Credit risk; and
- Liquidity risk

The Group's risk management and 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 risk management and 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 risk management and treasury policy allows the potential use of derivative financial instruments to manage interest rate risk. However, for the year ended 30 June 2012 the Group did not enter into any derivative financial instruments.

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

Group	2012 $'000	2011 $'000
Cash	39,135	6,012
Committed cash advance facility*	(166,000)	–
Receivable from Fairfax Media Group Finance Pty Limited	–	39,156

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

If interest rates had moved by +/- 1%, with all other variables held constant, the Group profit before income tax for the year ended 30 June 2012 would decrease/increase by $0.8 million (2011: $0.5 million).

Foreign currency risk

The Group has exposure to foreign currency risk from IT hardware purchases, technology support contracts that are billed in US dollars and an intercompany account in Australian dollars. The foreign currency risk arising from these transactions and the intercompany account are not material.

Credit risk

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

Group	AA- and above $'000	Not rated $'000	Related party $'000
30 JUNE 2012			
Cash and cash equivalents*	39,135	–	–
Trade receivables	–	3,841	899
30 JUNE 2011			
Cash and cash equivalents	6,012	–	–
Trade receivables	–	3,158	76
Other receivables	–	–	39,434

* Cash and cash equivalents include term deposits of $25 million (2011: nil).

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

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 risk management and 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. In 2011 the Group had a concentration of credit risk arising from the receivable from Fairfax Media Group Financial Pty Limited (New Zealand branch) of $39.2 million.

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

Liquidity risk

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

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

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

Group	Less than 6 months $'000	6–12 months $'000	1–3 years $'000	Total $'000
2012				
Trade and other payables	9,303	–	80	9,383
Borrowings	3,294	3,294	175,881	182,469
Total	**12,597**	**3,294**	**175,961**	**191,852**
2011				
Trade and other payables	25,557	–	250	25,807
Borrowings	–	–	–	–
Total	**25,557**	**–**	**250**	**25,807**

Company	Less than 6 months $'000	6–12 months $'000	1–3 years $'000	Total $'000
2012				
Trade and other payables	3,928	–	–	3,928
Borrowings	3,294	3,294	175,881	182,469
Total	**7,222**	**3,294**	**175,881**	**186,397**

Fair values

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

27 | Commitments

27.1 Lease commitments

Group	2012 $'000	2011 $'000
COMMITMENTS FOR MINIMUM LEASE PAYMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:		
Within one year	862	786
Later than one year but not later than five years	775	2,193
Later than five years	778	–
Total lease commitments	**2,415**	**2,979**

27.2 Capital commitments

The Company and the Group has no capital commitments as at 30 June 2012 (2011: $nil).

28 | Reconciliation of profit to cash flow from operations

Group	2012 $'000	2011 $'000
Profit for the year	**75,592**	**69,748**
ADJUSTED FOR NON-CASH:		
Depreciation	2,453	2,041
Amortisation	2,712	1,478
Long term incentive expense	33	83
Amortisation of loan establishment fees	58	–
Executive share plan	200	–
Doubtful debt expense	285	74
Loss/(profit) on sale of property, plant and equipment	2	(582)
Other	114	–
CHANGES IN ASSETS AND LIABILITIES:		
(Increase)/decrease in receivables	(1,511)	(863)
(Increase)/decrease in prepayments	177	(245)
(Increase)/decrease in accrued revenue	(106)	(214)
(Increase)/decrease in investment in associate	546	(26)
(Increase)/decrease in amounts due from related parties	18,029	15,454
(Increase)/decrease in deferred tax asset	(635)	636
(Increase)/decrease in accrued interest	–	346
(Decrease)/increase in trade payables	67	442
(Decrease)/increase in employee entitlements	298	25
(Decrease)/increase in GST	(79)	283
(Decrease)/increase in accrued liabilities	1,023	624
(Decrease)/increase in revenue in advance	116	418
(Decrease)/increase in prepaid commissions	(10,236)	46
(Decrease)/increase in related party payables	(9,309)	–
(Decrease)/increase in income tax payable	(7,364)	(2,040)
Expected cash flow from operating activities	**72,465**	**87,728**

Company

The Company does not operate a bank account, and all operating transactions are undertaken by Trade Me Limited. The cash proceeds from the initial public offer and debt facility were not received by the Company and instead were paid directly to entities within the wider Fairfax Group (refer note 2.3). Accordingly, there are no transactions included in the statement of cash flows.

29 | Contingent liabilities

The Company and the Group has no contingent liabilities as at 30 June 2012 (2011: $nil).

30 | Events after the reporting period

In July 2012, the Group signed a new lease agreement that commits the Group to minimum lease payments of $1.3 million per annum for a period of nine years. A dividend was declared after 30 June 2012 (refer note 21). There were no events after the reporting period for the 12 months ended 30 June 2011.

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 46 to 83, which comprise the statement of financial position of Trade Me Group Limited and the group as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Ernst & Young has provided taxation advice and 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 46 to 83:

- 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 2012 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

21 August 2012
WELLINGTON

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Stock exchange listings

Trade Me Group Limited shares are listed on the NZX and the ASX under the listing code TME.

Company information

Trade Me is a company incorporated with limited liability under the Companies Act 1993 and domiciled in New Zealand (Companies Office registration 3590412 and ARBN 154 115 723).

Registered office

Trade Me Group Limited
Level 3, NZX Centre
11 Cable Street
Wellington 6011
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Registered office in Australia

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TEL (+61) 2 9282 2833

Investor information

investors.trademe.co.nz

Board of directors

- David Edward Kirk
- Gail Iris Hambly
- Gregory Colin Hywood
- Samuel Gareth Morgan
- Joanna Mary Gordon Perry

Auditor

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Wellington 6011
New Zealand

Share registrar

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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 as above.

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