

**GUMTREE.COM LIMITED**  
**Annual report and financial statements**  

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**for the year ended 31 December 2016**



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GUMTREE.COM LIMITED

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Directors**

Alexander Green  
David Lancelot

**Company secretary**

Taylor Wessing Secretaries Limited

**Registered number**

03934849

**Registered office**

5 New Street Square  
London  
United Kingdom  
EC4A 3TW

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountant and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report of Gumtree.com Limited ("the company") for the year ended 31 December 2016.

### Review of the Business

The Company is a wholly owned subsidiary of eBay International AG, incorporated in Switzerland with the ultimate parent being eBay Inc., a company incorporated in the United States of America.

The revenue of the Company increased to £65,827,080 in 2016 (2015: £58,658,015) as a result of increased sales to third party users. The revenue has been offset by a rise in personnel expenses to £11,283,953 (2015: £8,914,191) and other operating expenses of £30,887,538 (2015: £28,210,274). The increase in expenses is driven by the growth in the Company. Based on this growth, the average number of employees have risen to 91 in 2016 (2015: 83). The activities of the Company resulted in a profit before taxation of £21,921,544 (2015: £20,188,878). The results for the year are set out in the Statement of Comprehensive Income on page 9.

The statement of financial position of the Company grew to net assets of £50,678,358 (2015: £43,896,125) due to the increase in cash and cash equivalents. The financial position of the Company is set out in the Statement of financial position on page 10.

### Key Performance Indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators are not necessary for an understanding of the development, performance or position of the business.

Details of the business review and strategic plans of the ultimate parent, eBay Inc. can be found in its Annual Report and other announcements (<http://investor.ebay.com>).

### Principal Risks & Uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are managed centrally. Accordingly, the principal risks and uncertainties of eBay Inc. group are disclosed in its Annual Report. These include, but are not limited to, outsourcing, business continuity and reliance on key IT systems, together with the risks associated with growth of the business and underlying economic environment factors affecting overall consumer confidence and e-commerce growth. Financial assets that potentially subject the Company to concentrations of credit risk principally consist of cash at bank and debtors. The Company's cash is placed with quality financial institutions. The Company's exposure to debtor risk is principally concentrated in the intra-group debt with the immediate parent company arising from the charges due under the services agreement.

The directors consider there is a low risk from foreign currency transactions, the amount of exposure to any individual counterparty is limited, and assessed continually. The Company's operating income and cash flows are substantially independent of changes in market interest rates. Due to the limited risk exposure the Company does not have a specific hedging policy with respect to foreign currency exchange and interest rate risk.

On behalf of the board

Director

Alexander Green



Date:

23.08.2017

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

### **Principal activities**

The principal activity of the Company in the year under review was that of e-commerce trading.

### **Fair review of the development and the performance of the business**

The external commercial environment is expected to remain similar to the current financial year, but the directors are confident that as the name of the company and the facilities of the website continue to become more widely known, the trade of the company will continue to increase.

### **Research and development**

The company continues to invest in the design and layout of the website. The directors regard the investment in research and development as integral to the continuing success of the business and ensuring the Company provides customers with a site that is easy to use.

### **Financial Risk Management**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risks, liquidity risk and interest rate risk.

The company has in place a risk management program that seeks to limit the possible adverse effects on the financial performance of the company by monitoring levels of cash and performing a thorough appraisal of any potential new projects. The company does not use derivative financial instruments or manage interest rate costs, and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's finance department implements the policies set by the directors. The department has specific guidelines agreed by the directors to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before new accounts are accepted.

#### *Foreign currency risk*

The directors consider there is a low risk from foreign currency transactions due to their limited number. The amount of exposure to any individual counterparty is limited, and is assessed continually.

### **Dividends**

Dividends of £11,000,000 were distributed for the year ended 31 December 2016 (2015: £11,000,000). The Directors recommend the payment of a final dividend £11,000,000 (2015: £11,000,000).

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

### **Statement of Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"; and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

### **Directors**

The directors who held office throughout the year and up to the date of signing the Financial Statements are:

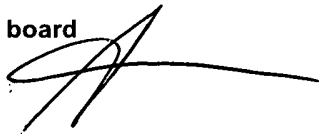
Alexander Green

David Lancelot

### **On behalf of the board**

Director

Alexander Green



Date: 23.08.2017

GUMTREE.COM LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GUMTREE.COM LIMITED**

**Report on the financial statements**

**Our opinion**

In our opinion, Gumtree Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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**Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## GUMTREE.COM LIMITED

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Leighton Thomas (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London  
23 August 2017



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Note	£	£
<b>Revenue</b>	4	65,827,080	58,658,015
Cost of sales		<u>(2,030,386)</u>	<u>(1,656,200)</u>
Gross profit		63,796,694	57,001,815
Administrative expenses		<u>(42,171,491)</u>	<u>(37,124,465)</u>
<b>Operating profit</b>	5	21,625,203	19,877,350
Finance income	8	296,341	311,829
Finance costs	8	<u>-</u>	<u>(301)</u>
<b>Profit before income tax</b>		21,921,544	20,188,878
Income tax expense	9	<u>(4,584,033)</u>	<u>(3,950,705)</u>
<b>Profit for the financial year</b>		<u>17,337,511</u>	<u>16,238,173</u>
Other comprehensive income/(expense) for the year, net of tax	9	<u>10,109</u>	<u>(87,819)</u>
<b>Total comprehensive income for the year</b>		<u><u>17,347,620</u></u>	<u><u>16,150,354</u></u>

The above results were derived from continuing operations. The notes on pages 11 to 25 form an integral part of these financial statements

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		2016		2015	
	Note	£	£	£	£
<b>Non Current Assets</b>					
Tangible assets	10		1,214,586		1,400,610
Deferred tax asset	9		<u>442,024</u>		<u>424,088</u>
			1,656,610		1,824,698
<b>Current assets</b>					
Debtors: amounts falling due within one year	11	10,094,389		20,212,554	
Debtors: amounts falling due after more than one year	11	11,000,000		-	
Cash and cash equivalents		<u>38,941,027</u>		<u>32,493,738</u>	
		60,035,416		52,706,292	
<b>Creditors: amounts falling due within one year</b>					
	12	<u>(11,013,668)</u>		<u>(10,634,865)</u>	
<b>Net current assets</b>			<u>49,021,748</u>		<u>42,071,427</u>
<b>Total assets less current liabilities</b>			<u>50,678,358</u>		<u>43,896,125</u>
<b>Net assets</b>			<u><u>50,678,358</u></u>		<u><u>43,896,125</u></u>
<b>Equity</b>					
Called up share capital	13		1,053		1,053
Share premium account			1,121,421		676,699
Retained earnings			49,555,884		43,218,373
<b>Total shareholders' funds</b>			<u><u>50,678,358</u></u>		<u><u>43,896,125</u></u>

The financial statements on pages 8 to 25 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

Director

Alexander Green



Date: 23.08.2017

Company registered number: 03934849

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Called up share capital £	Share premium account £	Retained Earnings £	Total shareholders' funds £
At 1 January 2015		1,053	421,429	37,980,200	38,402,682
Equity contributed by parent under equity incentive plans	16	-	1,127,131	-	1,127,131
Payments to parent for intrinsic value of share incentives exercised		-	(871,861)	-	(871,861)
Dividends	14	-	-	(11,000,000)	(11,000,000)
Profit for the Financial Year		-	-	16,238,173	16,238,173
<b>At 31 December 2015</b>		<b>1,053</b>	<b>676,699</b>	<b>43,218,373</b>	<b>43,896,125</b>
Equity contributed by parent under equity incentive plans	16	-	1,814,046	-	1,814,046
Payments to parent for intrinsic value of share incentives exercised		-	(1,369,324)	-	(1,369,324)
Dividends	14	-	-	(11,000,000)	(11,000,000)
Profit for the Financial Year		-	-	17,337,511	17,337,511
<b>At 31 December 2016</b>		<b>1,053</b>	<b>1,121,421</b>	<b>49,555,884</b>	<b>50,678,358</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. General information

Gumtree.com Limited ("the Company") provides e-commerce trading services.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 5 New Street Square, London, ECA4A 3TW, United Kingdom.

### 2. Summary of significant accounting policies

The significant accounting policies adopted by the Company are as follows:

#### Basis of preparation

The entity financial statements have been prepared on the going concern basis and in accordance with Generally Accepted Accounting Practice in UK (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in UK and the Companies Act 2014).

The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has undergone transition from previously extant UK Generally Accepted Accounting Principles to FRS 101 as issued by the Financial Reporting Council for all years presented. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IAS 7 'Statement of cash flows'. A cash flow statement has not been presented'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

### **2 Summary of significant accounting policies (continued)**

- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position
- 134-136 (capital management disclosures)

The financial statements have been prepared under the historical cost convention.

**The principal accounting policies which have been applied consistently are set out below:**

#### **Revenue**

Revenue represents net invoiced sales of goods, excluding value added tax. Revenue derives from the principal activity of the company and consists exclusively of sales made in the UK and is recognised in line with the performance of its obligation of the underlying contract.

Advertising revenues on contracts are recognised as “impressions” (i.e., the number of times that an advertisement appears in pages viewed by users of our websites) are delivered, or as “clicks” (which are generated each time users on our websites click through our text-based advertisements to an advertiser’s designated website) are provided to advertisers. Revenues related to fees for listing items on our classified websites are recognised over the estimated period of the classified listing.

#### **Cost of sales**

Cost of sales includes all the services, salaries, depreciation and other operating costs arose from the principal activity of the company.

#### **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 2 Summary of significant accounting policies (continued)

#### Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### Financial assets at fair value through profit or loss-

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Accumulated depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value over an asset's estimated useful life on a straight-line basis. Fixed assets are depreciated at the following rates:

Computer equipment	-33% per annum
Short leasehold property improvements	-over 5 years or over the term of the lease
Office furniture and equipment	-33% per annum

The gross capitalised cost of the asset includes its cost plus the essential costs incurred to bring the asset to its intended use. Any related costs incurred after the asset's acquisition, such as additions, improvements, or replacements, are added to the asset's cost if they provide future service potential.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **Impairment of non-financial assets**

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

#### **Current and Deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

#### **Deferred Taxation**

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred tax assets may arise in respect of share-based remuneration. For accounting purposes, the value of share options granted to employees is charged to the profit and loss account over the vesting period of the options. For taxation purposes, a deduction against taxable profit is only allowable when the options are exercised by the employees. It is this timing difference that creates the potential deferred tax asset.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

### **2 Summary of significant accounting policies (continued)**

In determining whether a potential deferred tax asset in respect of share options should be recognised or not, the directors examine, on an annual basis, the likelihood of a future taxable deduction being available to the company in relation to the share options outstanding at the end of the year. This examination takes into consideration a range of factors including the current eBay Inc. share price and the range of exercise prices on the outstanding share options. Where a future tax deduction is considered likely, the directors also examine whether it is possible to accurately measure the value of such a deduction.

Where the directors consider that it would be inappropriate to recognise a deferred tax asset in respect of share options, either because a future tax deduction is considered unlikely, or because it is considered impracticable to value accurately, no such asset will be recognised. Instead, the best estimate of the potential tax asset will be disclosed in the notes to the financial statements.

#### **Foreign currency translation**

The Company maintains its accounting records in 'Pounds Sterling' (£) and its annual accounts are expressed in this currency.

Assets and liabilities are translated into 'Pounds Sterling' (£) using exchange rates prevailing at the balance sheet date, while revenues and expenses are translated at average exchange rates during the year. Gains and losses from foreign currency transactions are recognized as interest and other, net.

From the 1st of January 2016 until the 30th of June 2016 the Company used the foreign exchange rate from the previous day for the valuation of foreign exchange transactions. Since the 1st of July 2016, the company uses the previous months end exchange rates for transactions during the month.

Realised foreign exchange gains and losses and unrealised foreign exchange losses are reflected in the profit and loss account.

#### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 2 Summary of significant accounting policies (continued)

#### Sabbatical program

The Company has a sabbatical programme in place under which eligible employees earn a right to a four week sabbatical after 5 years of full employment with the company. The related expense is recorded during the period the employee is required to work. The accrual is reduced by an estimated employee turnover rate.

#### Employee benefits

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contributions charged to profit and loss account represents the amounts contracted as due in respect of the financial year.

#### Share based payments

The company operates a number of equity-settled, share-based compensation plans, under the company receives services from employees as consideration for equity instruments (options) of ultimate parent. The awards are granted by ultimate parent and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in shareholders' funds.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised the company is recharged the options' original fair value as of the grant date from the ultimate parent. This recharge is accounted for as a deduction from shareholders' funds

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 2 Summary of significant accounting policies (continued)

#### Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

### 3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no critical judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 4. Revenue

Revenue and profit on ordinary activities before income tax derive from the principal activities of the company

2016	2015
£	£
<u>65,827,080</u>	<u>58,658,015</u>

### 5. Operating Profit

The operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Depreciation - owned assets	422,440	279,908
Audit of the entity's financial statements	41,000	38,500
Auditors' remuneration – Other services	-	1,500
Gain(loss) on foreign exchange	<u>(13,294)</u>	<u>20,202</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 6. Staff costs

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	7,656,770	6,319,319
Social security costs	1,435,288	1,148,094
Other pension costs	377,849	319,647
Stock based compensation	1,814,046	1,127,131
<b>Total staff costs</b>	<b>11,283,953</b>	<b>8,914,191</b>

The average monthly number of employees, including directors, during the financial year was as follows:

	2016	2015
	Number	Number
<b>By activity:</b>		
Management	4	5
Sales	47	51
Customer support	1	1
Technology	39	26
<b>Total</b>	<b>91</b>	<b>83</b>

### 7. Directors' remuneration

During the financial year, no director received any emoluments in respect of their services to the company (2015: £nil). In 2016 & 2015, the Directors were remunerated by other group companies.

### 8. Finance income and finance costs

	2016	2015
	£	£
Finance income		
Bank interest income	168,946	169,875
Interest receivable on loan to parent (note 11)	127,395	141,954
<b>Total finance income</b>	<b>296,341</b>	<b>311,829</b>
Finance Costs		
Bank interest expense	-	(301)
<b>Total finance costs</b>	<b>-</b>	<b>(301)</b>
<b>Net finance income</b>	<b>296,341</b>	<b>311,528</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 9. Income Tax Expense

	2016	2015
	£	£
<b>Current tax</b>		
UK corporation tax on profit for the year	3,153,418	2,543,215
Provision for consideration payable for group relief in current year	1,409,289	1,620,317
Under provision for consideration payable for group relief in previous years	410	95,509
Adjustments in respect of prior years	38,852	(90,735)
<b>Total current tax</b>	<u>4,601,969</u>	<u>4,168,306</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(58,197)	(131,632)
Change in tax rates	31,765	10,460
Adjustments in respect of prior years	(1,613)	(8,610)
<b>Total deferred tax</b>	<u>(28,045)</u>	<u>(129,782)</u>
<b>Tax on profit</b>	<u><u>4,573,924</u></u>	<u><u>4,038,524</u></u>

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

	2016	2015
	£	£
<b>Profit before income tax</b>	<u>21,921,544</u>	<u>20,188,878</u>
Profit before income tax multiplied by standard rate of Corporation tax in the UK of 20.00% (2015: 20.25%)	4,384,309	4,087,556
<b>Effects of:</b>		
Permanent difference on share-based compensation	54,262	(71,288)
Nondeductible expenses	64,912	14,703
Difference between the standard corporation tax rate for the year and the applicable for deferred tax	32,792	11,389
Adjustments in respect of prior years	<u>37,649</u>	<u>(3,836)</u>
<b>Total tax charge for the year</b>	<u><u>4,573,924</u></u>	<u><u>4,038,524</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 9. Income Tax Expense (continued)

	2016	2015
<b>Tax credited/(charged) directly to equity</b>		
	£	£
Deferred tax (credit)/charge to equity for the year in respect of stock-based compensation	10,109	(87,819)
<b>Total movement in tax provision</b>	<u>4,584,443</u>	<u>3,950,705</u>
Deferred tax asset at tax rate of 18.30% (2015: 19.70%) provided:		
	2016	2015
	£	£
Opening balance	424,088	206,487
Deferred tax credit to Income statement in respect of stock based compensation	28,045	129,782
Charge/(credit) to statement of comprehensive income for the year	(10,109)	87,819
Closing balance	<u>442,024</u>	<u>424,088</u>

The corporation tax rate for the year ended 31 December 2016 was 20%. This rate will continue until 31 March 2017. As announced in the July 2015 Budget the main corporation tax rate will reduce to 19% effective 1 April 2017 to 31 March 2020.

An announcement was made in the March 2016 Budget that the main rate of corporation tax is to be further reduced to 17% effective from 1 April 2020.

This was substantially enacted on 6 September 2016.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 10. Tangible assets

	Leasehold improvements	Computer equipment	Office and other equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2015	-	576,454	67,353	643,807
Additions	1,423,811	363,515	6,089	1,793,415
Disposals	(43,389)	(355,030)	-	(398,419)
<b>At 31 December 2015</b>	<b>1,380,422</b>	<b>584,939</b>	<b>73,442</b>	<b>2,038,803</b>
At 1 January 2016	1,380,422	584,939	73,442	2,038,803
Additions	26,879	150,539	52,865	230,283
Disposals	-	-	-	-
<b>At 31 December 2016</b>	<b>1,407,301</b>	<b>735,478</b>	<b>126,307</b>	<b>2,269,086</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	-	469,142	64,023	533,165
Charge for the year	163,942	114,782	1,184	279,908
Disposals	(2,893)	(171,987)	-	(174,880)
<b>At 31 December 2015</b>	<b>161,049</b>	<b>411,937</b>	<b>65,207</b>	<b>638,193</b>
At 1 January 2016	161,049	411,937	65,207	638,193
Charge for the year	282,236	128,886	11,318	422,440
Disposals	-	(6,133)	-	(6,133)
<b>At 31 December 2016</b>	<b>443,285</b>	<b>534,690</b>	<b>76,525</b>	<b>1,054,500</b>
<b>Net book amount</b>				
<b>At 31 December 2015</b>	<b>1,219,373</b>	<b>173,002</b>	<b>8,235</b>	<b>1,400,610</b>
<b>At 31 December 2016</b>	<b>964,016</b>	<b>200,788</b>	<b>49,782</b>	<b>1,214,586</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 11. Debtors

	2016	2015
	£	£
<b>Amounts falling within one year</b>		
Trade debtors	5,554,032	4,288,800
Amounts owed by group undertakings	419,210	1,255,037
Prepayments and accrued income	4,121,147	3,668,717
Amounts owed by group undertakings (loan)	-	11,000,000
	<u>10,094,389</u>	<u>20,212,554</u>

The amounts owed by group undertakings are unsecured, interest free and payable on demand.

Amounts owed by group undertakings of £11,000,000 bear interest at 1.519%. Interest is payable quarterly and the capital which was repayable on 31 December 2016 has been extended by an additional 3 years with maturity date of 30 December 2019.

### Amounts falling due after more than one year

	2016	2015
	£	£
Amounts owed by group undertakings (loan)	<u>11,000,000</u>	-
	<u>11,000,000</u>	-

### 12. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade Creditors	1,052,584	1,909,427
Amounts owed to group undertakings	2,883,239	2,748,025
Taxation and social security	2,412,801	2,136,960
Other creditors	-	242,856
Accruals and deferred income	<u>4,665,044</u>	<u>3,597,597</u>
	<u>11,013,668</u>	<u>10,634,865</u>

The amounts owed by group undertakings are unsecured, interest free and payable on demand.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 13. Called up share capital

	2016	2015
	£	£
<b>Authorised</b>		
10,000,000 (2015: 10,000,000) Ordinary shares of 1p each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
105,263 (2015: 105,263) Ordinary shares of 1p each	<u>1,053</u>	<u>1,053</u>

### 14. Dividends

	2016	2015
	£	£
<b>Equity - Ordinary</b>		
£104.50 (2015: £104.50) per 1p share	<u>11,000,000</u>	<u>11,000,000</u>

The directors declared and paid a dividend of £11,000,000 on 23 December 2016 (2015: £11,000,000).

### 15. Post - employment benefits

The Company provides eligible employees with an optional Post Retirement Savings Accounts (PRSA) scheme. In this scheme employees' and employer's contributions are invested in the employees personal account, which they are entitled to open through application to the contribution plan. The Company makes regular contributions on behalf of these employees who open a PRSA, up to a maximum of 9% of salary. This amount is included in total staff costs.

	2016	2015
	Number	Number
Number of employees at 31 December	84	107
Expense in the year (£)	377,849	319,647
Year-end accrual	<u>45,660</u>	<u>45,528</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

### 16. Share based compensation

#### Equity incentive plans

Employees participate in eBay's equity incentive plans. Stock options granted under these plans generally vest 25% one year from the date of grant for new employees (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 2.08% per month thereafter, and generally expire 7 to 10 years from the date of the grant. The cost of options is determined using the Black-Scholes option pricing model on the date of grant. Restricted stock units are granted to eligible employees under equity incentive plans. In general, restricted stock units vest in equal annual instalments over a period of three to five years, are subject to the employees' continuing service to us and do not have an expiration date. The cost of restricted stock units is determined using the fair value of eBay's Common Stock on date of grant.

The Company amortises the stock-based compensation charge in accordance with the accelerated method over the vesting period of the related options, which is generally four years. The impact of recognising the fair value of share option grants and restricted stock unit grants under the employee stock incentive plans as an expense under IFRS 2 is £ 1,814,046 for the year ended 31 December 2016 (2015: £ 1,127,131).

During 2015, in connection with the separation of the eBay and PayPal businesses, restricted stock awards and employee stock option awards were modified and converted into new equity awards using conversion ratios designed to preserve the value of these awards to the holders. On July 17, 2015, employees holding stock options or restricted stock units, received a number of otherwise-similar awards in post separation eBay stock and/or PayPal stock based on the conversion ratios in connection with the split. The modification did not give rise to a material incremental charge in the Company.

#### Employee stock purchase plan

Gumtree.com Limited employees' participate in eBay Inc.'s Stock Purchase Plan ("ESPP"), available to eligible employees. Under the terms of this plan, shares of eBay common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period.

The following table summarises information about restricted stock units outstanding at 31 December 2016:

Grant- vest	Expiry year	Exercise price value in £	Number of shares outstanding at 31.12.2016	Number of shares outstanding at 31.12.2015
2011	2018	-	-	970
2012	2019	-	-	6,046
2013	2020	16.71	5,455	45,942
2014	2021	16.83	22,314	55,321
2015	2022	17.75	59,828	79,676
2016	2023	18.30	103,734	-
<b>Total</b>			<b><u>191,331</u></b>	<b><u>187,955</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

**16 Share based compensation (continued)**

The stock options outstanding at 31 December :

Grant- vest	Expiry year	Excercise price in £	Number of shares outstanding at 31.12.2016	Number of shares outstanding at 31.12.2015
2010	2017	1.71	-	6,033
<b>Totals</b>			<b>=</b>	<b><u>6,033</u></b>

**17. Subsequent events**

There have been no significant events affecting the Company since year end.

**18. Capital and other commitments**

The Company had no capital commitments at the end of the year 2016 (2015: nil).

**19. Holding company**

The company is a wholly owned subsidiary of eBay International AG, Bern Switzerland which is the parent company. eBay Inc. is the parent company and ultimate controlling party of the largest group to consolidate these financial statements.

Copies of eBay Inc. consolidated financial statements can be obtained from their company secretary at 2145 Hamilton Avenue, San Jose CA 95125, USA.