GUMTREE.COM LIMITED
Annual report and financial statements
for the year ended 31 December 2015

CONTENTS **PAGES**

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

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

STRAGETIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report of Gumtree.com Limited ("the company") for the year ended 31 December 2015.

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 £58,658,015 in 2015 (2014: £50,288,788) as a result of increased sales to third party users. The revenue has been offset by a rise in personnel expenses to £8,914,191 (2014 £7,583,272) and other operating expenses of £28,210,274 (2014: £20,968,334). The increase in expenses is driven by the growth in the Company. Based on this growth, the average number of employees have risen to 83 in 2015 (2014: 78). The activities of the Company resulted in a profit on ordinary activities before income tax of £20,188,878 (2014: £21,209,314). The results for the year are set out in Income statement on page 9.

The statement of financial position of the Company grew to net assets of £43,896,125 (2014: £38,402,682) 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.

On behalf of the board

Director
Alexander Green

Date: 20/03/2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

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 2015 (2014: £11M). The Directors do not recommend the payment of a final dividend (2014: nil).

DIRECTORS` REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of Directors' responsibilities
The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to auditors
The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the report is approved, the following applies:

- As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- The director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS` REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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: 20/03/2016

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

Report on the financial statements

Our opinion

In our opinion, Gumtree.com 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 2015 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 Directors' report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GUMTREE.COM LIMITED (continued)

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 5, 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 parent 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.

Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 September 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		£	£
Revenue	4	58,658,015	50,288,788
Cost of sales		(1,656,200)	(804,970)
Gross profit		57,001,815	49,483,818
Administrative expenses		(37,124,465)	(28,551,606)
Operating profit	5	19,877,350	20,932,212
Finance income	8	311,829	277,102
Finance costs	8	(301)	-
Profit on ordinary activities before income tax		20,188,878	21,209,314
Income tax expense on ordinary accounts	9	(3,950,705)	(4,534,346)
Profit for the financial year		16,238,173	16,674,968
Other comprehensive expense for the year, net of tax	9	(87,819)	-
Total comprehensive income for the year		**16,150,354**	**16,674,968**

The above results were derived from continuing operations. The notes on pages 12 to 28 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £	2015 £	2014 £	2014 £
Non Current Assets					
Tangible assets	10		1,400,610		110,642
Deffered income tax asset	9		424,088		206,487
			1,824,698		317,129
Current assets					
Debtors: amounts falling due within one year	11	20,212,554		7,828,864	
Debtors: amounts falling due after more than one year	11	-		11,071,587	
Cash and cash equivalents		32,493,738		26,104,047	
		52,706,292		45,004,498	
Creditors: amounts falling due within one year	12	(10,634,865)		(6,918,945)	
Net current assets			42,071,427		38,085,553
Total assets less current liabilities			43,896,125		38,402,682
Net assets			43,896,125		38,402,682
Equity					
Called up share capital	13		1,053		1,053
Share premium account			676,699		421,429
Retained earnings			43,218,373		37,980,200
Total shareholders' funds			43,896,125		38,402,682

The financial statements on pages 9 to 28 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

Director
Alexander Green

Date: 20/03/2016

Company registered number: 03934849

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Called up share capital £	Share premium account £	Retained Earnings £	Total shareholders' funds £
At 1 January 2014		**1,000**	**346,136**	**32,305,232**	**32,652,368**
Issued ordinary shares		53	-	-	**53**
Equity contributed by parent under equity incentive plans	16	-	730,066	-	**730,066**
Payments to parent for intrinsic value of share incentives exercised		-	(654,773)	-	**(654,773)**
Dividends declared and paid	14	-	-	(11,000,000)	**(11,000,000)**
Profit for the Financial Year		-	-	16,674,968	**16,674,968**
At 31 December 2014		**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 declared and paid	14	-	-	(11,000,000)	**(11,000,000)**
Profit for the Financial Year		-	-	16,238,173	**16,238,173**
At 31 December 2015		**1,053**	**676,699**	**43,218,373**	**43,896,125**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 New street square 5 London, 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),

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.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

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. 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 2015 (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.

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

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate at the date of the transaction. All differences on exchange are taken to 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 2015 (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 2015 (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

	2015	2014
	£	£
	58,658,015	50,288,788

5. Operating Profit

The operating profit is stated after charging:

	2015	2014
	£	£
Depreciation - owned assets	279,908	79,917
Audit of the entity's financial statements	38,500	37,000
Auditors' remuneration – Other allowance services	1,500	-
Loss on foreign exchange	20,202	7,729

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

6. Staff costs

Staff costs were as follows:

	2015	2014
	£	£
Wages and salaries	6,319,319	5,500,031
Social security costs	1,148,094	1,031,944
Other pension costs	319,647	321,231
Stock based compensation	1,127,131	730,066
Total staff costs	8,914,191	7,583,272

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

	2015	2014
	Number	Number
By activity:		
Management	5	3
Sales	51	45
Customer support	1	2
Technology	26	28
Total	83	78

7. Directors' remuneration

During the financial year, no director received any emoluments in respect of their services to the company 2014: £nil. In 2015 & 2014, the Directors were remunerated by other group companies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

8. Finance income and finance costs

	2015	2014
	£	£
Finance income		
Bank interest income	169,875	163,845
Interest receivable on loan to parent (note 11)	141,954	113,257
Total finance income	**311,829**	**277,102**
Finance Costs		
Bank interest expense	(301)	-
Total finance expense	**(301)**	-
Finance income net	**311,528**	**277,102**

9. Income Tax Expense On Ordinary Accounts

	2015	2014
	£	£
Current tax		
UK corporation tax on profit for the year	2,543,215	3,392,776
Provision for consideration payable for group relief in current year	1,620,317	1,201,348
Under provision for consideration payable for group relief in previous years	95,509	241,796
Adjustments in respect of prior years	(90,735)	(240,223)
Total current tax	4,168,306	4,595,697
Deferred tax		
Origination and reversal of temporary differences	(131,632)	(68,042)
Change in tax rates	10,460	6,691
Adjustments in respect of prior years	(8,610)	-
	(129,782)	(61,351)
Tax on profit on ordinary activities	4,038,524	4,534,346

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

	2015	2014
	£	£
Profit on ordinary activities before income tax	20,188,878	21,209,314
Profit on ordinary activities before income tax multiplied by standard rate of Corporation tax in the UK of 20.25% (2014: 21.49%)	4,087,556	4,558,549
Effects of:		
Permanent difference on share-based compensation	(71,288)	33,080
Other expenses not eligible for relief until future accounting years	14,703	2,495
Group relief claimed in respect of prior years	-	241,796
Difference between the standard corporation tax rate for the year and the applicable for deferred tax	11,389	-
Adjustments in respect of prior years	(3,836)	(240,223)
Current tax charge for the year	4,038,524	4,595,697

Tax credited directly to equity	2015	2014
	£	£
Deferred tax credit to equity for the year in respect of stock-based compensation	(87,819)	-
Total movement in tax provision	3,950,705	4,595,697

Deferred tax asset at tax rate of 19.70% (2014: 20.13%) provided:

	2015	2014
	£	£
Opening balance	206,487	145,136
Deferred tax credit to equity in respect of stock based compensation	87,819	61,351
Credited to profit and loss account for the year	129,782	-
Closing balance (see note 11)	424,088	206,487

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

9.Income Tax Expense On Ordinary Accounts (continued)

The directors consider it more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the deferred tax asset has been recognised in the financial statements.

A reduction of the main rate of corporation tax from 21% to 20% came into effect on 1 April 2015 and will continue until 31 March 2017. Further reductions to the main corporation tax rate to 19% effective 1 April 2017 to 31 March 2020 and to 18% effective from 1 April 2020 were announced in the July 2015 Budget and were substantively enacted on 26 October 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

10. Tangible assets

	Leasehold improvements	Computer equipment	Office and other equipment	Total
	£	£	£	£
Cost				
At 1 January 2014	-	503,118	67,353	570,471
Additions	-	73,336	-	73,336
Disposals	-	-	-	-
At 31 December 2014	-	576,454	67,353	643,807
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)
At 31 December 2015	1,380,422	584,939	73,442	2,038,803
Accumulated depreciation				
At 1 January 2014	-	389,341	63,907	453,248
Charge for the year	-	79,801	116	79,917
At 31 December 2014	-	469,142	64,023	533,165
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)
At 31 December 2015	161,049	411,937	65,207	638,193
Net book amount				
At 31 December 2014	-	107,312	3,330	110,642
At 31 December 2015	1,219,373	173,002	8,235	1,400,610

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

11. Debtors:
amounts falling due within one year

	2015	2014
	£	£
Trade debtors	4,288,800	3,858,838
Amounts owed by group undertakings	1,255,037	189,523
Prepayments and accrued income	3,668,717	3,780,503
Amounts owed by group undertakings (loan)	11,000,000	-
	20,212,554	7,828,864

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 March 2014 has been extended by an additional 2 years 9 month with maturity date of 31 December 2016.

Debtors: amounts falling due after more than one year

	2015	2014
	£	£
Amounts owed by group undertakings	-	11,000,000
Long term deposits	-	71,587
	-	11,071,587

12. Creditors: Amounts falling due within one year

	2015	2014
	£	£
Trade Creditors	1,909,427	677,152
Amounts owed to group undertakings	2,748,025	338,114
Taxation and social security	2,136,960	2,940,248
Other creditors	242,856	-
Accruals and deferred income	3,597,597	2,963,431
	10,634,865	6,918,945

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 2015 (continued)

13. Called up share capital

	2015	2014
	£	£
Authorised		
10,000,000 (2014: 10,000,000) Ordinary shares of 1p each	100,000	100,000
Allotted, called up and fully paid		
105,263 (2014: 105,263) Ordinary shares of 1p each	1,053	1,053

14. Dividends

	2015	2014
	£	£
Equity - Ordinary		
£104.50 (2014: £104.50) per 1p share	11,000,000	11,000,000

The directors declared and paid a dividend of £11,000,000 on 3 December 2015.

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.

	2015	2014
	Number	Number
Number of employees at 31 December	107	104
Expense in the year (£)	319,647	321,231
Year-end accrual	45,528	33,701

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

16. Share based compensation

Equity incentive plans

Employees participate in eBay's equity incentive plans for directors, officers, employee and on employees. 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 GBP 1,127,131 for the year ended 31 December 2015 (2014: GBP 730,066).

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 2015:

Grant- vest	Expiry year	Exercise price value in GBP	Number of shares outstanding at 31.12.2015	Number of shares outstanding at 31.12.2014
2011	2018	7.67	970	2,657
2012	2019	10.27	6,046	5,940
2013	2020	14.84	45,942	25,430
2014	2021	14.86	55,321	27,402
2015	2022	15.18	79,676	
Total			187,955	61,429

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

16 Share based compensation (continued)

The stock options outstanding at 31 December :

Grant- vest	Expiry year	Excercise price in GBP	Number of shares outstanding at 31.12.2015	Number of shares outstanding at 31.12.2014
2008	2015			1,820
2010	2017	1.71	6,033	3,080
2011	2018			285
Totals			6,033	5,185

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 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

20. FRS 101 transition

The company adopted Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for all periods presented in these financial statements.

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, no measurement differences were noted but the Company has restated the presentation of its Balance sheet as at 1 January 2014 prepared under previously under UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.