carsales.com ltd
ABN 91-074-444-018

Annual Report 2011

carsales.com.au
Australia's No.1 because it works!

Corporate Directory

Directors
Wal Pisciotta (Non-Executive Chairman)
Greg Roebuck (Managing Director)
Ric Collins (Non-Executive Director)
Pat O'Sullivan (Non-Executive Director)
Ian Law (Non-Executive Director)
(resigned 25/11/2010, re-appointed 21/04/2011)
Kim Anderson (Non-Executive Director)
Steve Kloss (Alternate Non-Executive Director)
Adrian MacKenzie (Non-Executive Director)
(resigned 07/03/2011)
Graham Brooke (Non-Executive Director)
(resigned 07/03/2011)
Jeffrey Browne (Non-Executive Director)
(resigned 21/04/2011)
David Gyngell (Non-Executive Director)
(appointed 25/11/2010, resigned 07/03/2011)

Company Secretary
Cameron McIntyre
Margaret Beattie

Registered Office
Level 1, 109 Burwood Rd
Hawthorn VIC 3122

Tel: +61 3 9093 8600
Fax: +61 3 9093 8697
Web: www.carsales.com.au

Share Registry
Computershare Ltd
452 Johnston street
Abbotsford Vic 3067

Tel: +61 3 9415 4000
Fax: +61 3 9473 2500

Web: www.computershare.com

Auditor
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Stock Exchange
carsales.com Ltd is a public company listed with the Australian Stock Exchange Limited

ASX: CRZ

carsales.com Ltd
Annual Report - 30 June 2011

Contents

Results for Announcement to the Market

Results for Announcement to the Market 30 June 2011

				$'000
Revenue from ordinary activities	up	**26%**	to	**152,510**
Profit from ordinary activities after tax attributable to members	up	**35%**	to	**58,260**
Net profit for the period attributable to members	up	**35%**	to	**58,260**

Dividends / Distributions	Amount per security (cents)	Franked amount per security (cents)
2010 Final Dividend paid	8.3	8.3
2011 Interim Dividend paid	9.4	9.4
2011 Final Dividend declared	10.5	10.5

Record date for determining entitlements to the dividend	21st September, 2011
Dividend payable	5th October, 2011

Net tangible assets
Net tangible asset backing per ordinary share is 11.64 cents (2010: 3.97 cents)

Other information as required by Listing Rule 4.3A
Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2011 Financial Report.

“The Board has declared a final 2011 dividend of 10.5 cents per share fully franked which represents DPS growth of 27%. This takes the total dividend for the year to 19.9 cents and a DPS growth of 34%.”

Wal Pisciotta

Chairman's Letter to shareholders

Chairman's Letter to shareholders

Dear Shareholders,

The Board is pleased to present to shareholders carsales.com Ltd's Annual Report for the financial year ending June 30, 2011.

Achieving record financial results and delivering valuable product and performance outcomes for our diverse range of customers is expected and this year was no exception. This year represents carsales' first full financial year as an ASX listed company and we can once again look over a year that included many significant accomplishments.

Some of the major financial highlights of the past 12 months include:

- **Sale of goods and services up 26% on previous corresponding period (pcp) from \$120.6m to \$152.5m**
- **Profit (EBITDA) up 30% on pcp from \$64.5m to \$83.8m**
- **EBITDA margins grew on pcp from 53% to 55%**
- **Net Profit (after tax) up 35% on pcp from \$43.2m to \$58.3m**
- **Operating cashflow up 19% on pcp from \$50.4m to \$60.1m**

The Board has declared a final 2011 dividend of 10.5 cents per share fully franked which represents DPS growth of 27%. This takes the total dividend for the year to 19.9 cents and a DPS growth of 34%.
The dividend payment will have a record date of the 21st of September 2011 and a payment date of the 5th of October 2011.

On the 7th of March 2011 ACP Magazines Limited (a subsidiary of Nine Entertainment Co Holdings Pty Limited) announced the sale of its stake in carsales.com Ltd. UBS successfully placed 49% of the company's shares with largely Australian institutions. The process saw a high demand for carsales stock which was a great testament to the confidence that the market has in carsales' ability to continue to grow shareholder value. We now have a much deeper and more liquid market in the company's shares.

With the change in ownership came changes within the structure of the Board itself. Adrian MacKenzie, David Gyngell, Graham Brooke and Jeffrey Browne have all resigned. The Board also welcomed back Ian Law as an independent director. These changes resulted in the size of the Board being reduced from nine to six members.

As part of the ongoing management of its capital, on May 25 this year the company announced its intention to commence buying back its own stock via an on-market buyback program. By June 30, 670,578 shares had been acquired, on an opportunistic basis, given this time of market and share price volatility.

Significant challenges presented themselves this year - particularly at an economic level with a series of natural disasters both in Australia and abroad. Both carsales and the automotive industry in general have coped well.

In January we were concerned that the domestic floods (particularly in Queensland) had the potential to subdue short-term demand for cars. We were pleased when this concern did not materialise.

In March, the Japanese earthquake and tsunami had an appalling impact on Japanese society and industry alike. The expectation was that we would see a significant tightening in the supply of new cars. Again, it is pleasing to see the industry recovering quicker than first anticipated. Already most plants in the region have plans in place to hit pre-tsumani production levels or are, indeed, already there.

carsales.com Ltd is well positioned for the future. Exciting product innovations, both released and planned for rollout, with the ongoing success of our leading car, bike, boat and equipment products mean we are looking forward to all that the next financial year has in store and we are in great shape to meet any new challenges that come our way.

On behalf of the Board of Directors, I would like to thank our customers for their continued endorsement and business and our shareholders for their ongoing encouragement and support.

I would also like to once again thank Greg Roebuck and his team, for doing an excellent job of continuing to develop the company. Their dedication, hard work and commitment to carsales has again been first class and it shows not just in our financial performance but in everything that makes carsales.com Ltd such a great business.

Sincerely,

Wal Pisciotta
Chairman
Hawthorn, 16 August 2011

Managing Director's Review of operations

Managing Director's review of operations

Dear Shareholders,

FY2011 is now officially behind us – and as has been the case every year for the carsales.com Ltd business, it was our biggest year ever! Also as usual, we have had a lot of change in the business and I'll try and summarise some of the key things below.

Our MediaMotive business has had a fantastic 12 months. This is the part of the business that sells our display advertising – covering automotive vehicle manufacturers and importers; automotive dealerships; finance companies; insurance companies and literally hundreds of other advertisers across our ever growing network of sites.

We have successfully brought all sales functions in-house from a completely outsourced model less than three years ago. FY2011 saw the last remaining third party arrangements finish and the numerous benefits this has provided carsales.com are evidenced by the very strong growth this part of the business is enjoying.

With substantial market leading sites in cars; marine; motorcycle; trucks; equipment; caravan & camping; it's no wonder that advertisers wishing to get their message in front of our very qualified audiences, are prepared to spend with MediaMotive.

Our core automotive business has moved further ahead of its numerous competitors and strong growth in enquiries to our Brand New Cars In Stock vehicles is a testament to this. Consumers are realising that by providing them the right information across brand new, near new, dealer used and private cars enables them to make an informed buying decision. Stock shortages as a result of the Japanese tsunami has had an impact on this area, but we are starting to see stock levels of many affected brands return to more normal levels and by the end of calendar 2011, expect all brands to be back to full availability.

Consumers – and in particular those looking to sell their cars – continue to be big supporters of the carsales business. Growth in private sellers has been strong and with a price increase in September 2010, the financial performance of this part of our business has been excellent. The positive for dealers of course, is that these private sellers move quickly to being buyers of dealer cars.

Our data services business has also had a good FY2011 with our LiveMarket product delivering much needed insights into the automotive marketplace. As consumers continue to research their vehicle purchase online, dealers need to be up to the moment on not only pricing, but stocking and appraising of vehicles. LiveMarket provides literally millions and millions of data points to keep dealers ahead of the game.

We've launched a number of new initiatives again this year. An all new quicksales.com.au was launched after we acquired the Oztion business back in September 2010. We will continue to grow the audience and the inventory to this eBay style site – playing to our strengths in our existing marketplaces such as cars; boats; camping etc. We've recently rebranded our editorial attribution to "motoring" and launched a new iPad app and completely new website: www.motoring.com.au as part of this strategy. Most Australians know that carsales is the best place to buy or sell a car, with our focus on motoring, we will also clearly be the best place to learn about cars.

We've continued to invest in our mobile offerings and along with the mobile sites, we have added apps for boatsales and bikesales with more to come. When you consider that the engagement with consumers (best measured in page impressions served) of our carsales mobile and app sites now exceeds the **combined** page impressions of our major competitors total (desktop and mobile) sites, it puts us in a great position.

Competitively, our lead over the competition has grown. However, we expect the coming year to see plenty of money spent by others trying to regain market share. At the heart of everything we do, is our singular focus on "what we do works". Private sellers and dealers alike, know that we deliver results. We also have a number of exciting product initiatives rolling out over the coming year that will again further our differentiation from other offerings in the marketplace.

Financially, FY2011 was another wonderful year. Revenue has topped $150m with growth of 26% year on year. Earnings before interest, tax, depreciation and amortisation grew 30% to just under $84m.

Staff numbers have again grown significantly and reflect the growth we continue to deliver. With well over 350 staff, we have the resources to innovate and deliver world-class solutions to our growing number and range of customers.

Our entire team is the envy of our market and I am always so proud to walk around the business or talk to our interstate/international staff and feel the passion and commitment to making this business the best that it can be. We would not be where we are today without the people we have and to each of them: a very public and very heartfelt **thank you!**

To you, our shareholders, on behalf of the carsales.com Ltd. team, thank you for your continued support.

Yours sincerely,

Greg Roebuck
Managing Director and CEO
Hawthorn, 16 August 2011

“Our core automotive business has moved further ahead of its numerous competitors and strong growth in enquiries to our Brand New Cars In Stock vehicles is a testament to this.”

Greg Roebuck

Directors' Report

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the company) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The following persons were directors of carsales.com Ltd during the whole of the financial year and up to the date of this report unless indicated otherwise:

Wal Pisciotta
Greg Roebuck
Ric Collins
Pat O'Sullivan
Ian Law (resigned 25/11/2010 as PBL Media nominee, re-appointed 21/04/2011 as an independent)
Kim Anderson
Steve Kloss (Alternate)
Adrian MacKenzie (resigned 07/03/2011)
Graham Brooke (resigned 07/03/2011)
Jeffrey Browne (resigned 21/04/2011)
David Gyngell (appointed 25/11/2010, resigned 07/03/2011)

Principal activities

During the year the principal continuing activities of the Group consisted of (a) internet automotive classified advertising and (b) sales/maintenance of software data services and website development supporting largely the automotive industry.

Dividends - carsales.com Ltd

Dividends paid to members during the financial year were as follows:

	2011 $'000	2010 $'000
Final fully franked cash dividend for the year ended 30 June 2010 of 8.3 cents (2009 - 7.8 cents) per fully paid share paid on 6 October 2010.	**19,318**	18,065
Interim fully franked ordinary dividend for the year ended 30 June 2011 of 9.4 cents (2010 - 6.6 cents) per fully paid share paid on 20 April 2011.	**22,028**	15,343
	41,346	33,408

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $24,580,000 (10.5 cents per fully paid ordinary share) to be paid on 5th October 2011 out of retained profits at 30 June 2011.

Review of operations

During the year the group generated gross revenues of $153,497,000 (2010: $121,093,000). Profit after tax was $58,260,000 (2010: $43,235,000). Please also refer to the Chairman's letter and Managing Director's review of operations for further information on the operations of the Group.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group.

Matters subsequent to the end of the financial year

The company has entered into a long term lease arrangement on a property in Melbourne to which it intends to re-locate its corporate head office before the end of 2011 calendar year.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may affect (a) the Group's operations in future financial years, (b) the results of those operations in future financial years, or (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

In the opinion of the directors, disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations in subsequent financial years would prejudice the interests of the Group. Accordingly, this information has not been included in this report.

Environmental regulation

The Group is not subject to significant environmental regulation in respect of its activities.

Information on directors

Wal Pisciotta (non executive chairman)

Experience and expertise

Wal has over 40 years experience in supplying computer services to the automotive industry and is also the Chairman of Pentana Solutions Pty Ltd. Wal holds a Bachelor of Science Degree in Business Administration from the University of Alabama (United States) and has been the Chairman of carsales.com Ltd since its inception.

Interests in shares and options

19,279,807 ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Greg Roebuck (managing director)

Experience and expertise

Greg was the original architect of carsales.com Ltd; has been on its Board since inception and Managing Director and CEO since May of 2002. Greg is a Fellow of the Australian Institute of Company Directors. He has over 25 years experience in providing technology solutions to the Australian Automotive Industry. Greg studied computer science at RMIT (Melbourne). In July 2009 Greg won the Ernst & Young Entrepreneur of the Year Award for the Southern Region of Australia in technology & emerging industries: software, hardware, telecommunications, digital media and health sciences. He then went on to win the Ernst & Young Entrepreneur of the Year Award for Australia in November 2009.

Interests in shares and options

6,491,451 ordinary shares held in carsales.com Ltd.

1,550,000 options held over ordinary shares in carsales com Ltd.

Richard Collins (non-executive director)

Experience and expertise

Richard has been a director of carsales.com Ltd since 2000 and has over 27 years experience as Dealer Principal, currently holding Ford, Toyota and Subaru Franchises. Richard holds a Bachelor of Commerce Degree from Melbourne University.

Interests in shares and options

1,331,750 ordinary shares held in carsales.com Ltd.

125,000 options held over ordinary shares in carsales. com Ltd.

Patrick O'Sullivan (non-executive director)

Experience and expertise

Patrick is the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) where he has been since February 2006. Before that, Mr O'Sullivan was the Chief Financial Officer of Optus, a position he held for over five years. Previously, he held a number of positions at Goodman Fielder and Burns Philp. Mr O'Sullivan is a member of The Institute of Chartered Accountants in Ireland and The Institute of Chartered Accountants in Australia, and is a graduate of the Harvard Business School's Advanced Management Programme. He also serves as a Director and Company Secretary of Nine Entertainment Co Pty Limited, Chairman of Ninemsn, and Director on the Board of iSelect Limited.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Ian Law (non-executive director) - resigned 25 November 2010, re-appointed 21 April 2011

Experience and expertise

Ian is the former Chief Executive Officer of PBL Media (now Nine Entertainment Co Pty Limited). Prior to his career at PBL Media, Ian was CEO of ACP Magazines Ltd. His previous roles included Managing Director and Chief Executive Officer of West Australian Newspaper Holdings Ltd; and Chairman of Ninemsn Limited. Ian has more than 25 years experience in the publishing and broadcasting industry; and also has extensive experience in the online and digital sector.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Kim Anderson (non-executive director)

Experience and expertise

Kim is the Chief Executive Officer of The Reading Room (thereadingroom.com), a community/social networking site for readers and is a Non Executive Director of the STW Group, a member of QUT Centre of Excellence, The Centre for Creative Industries. Kim has more than 25 years experience in various advertising and media executive positions within companies such as Southern Star Entertainment, PBL and Ninemsn.

Interests in shares and options

10,000 ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Steve Kloss (alternate non executive director)

Experience and expertise

Steve has more than 20 years experience in supplying computer services to the automotive industry and is currently Chief Executive Officer at Pentana Solutions Pty Ltd. Steve holds a Bachelor of Business degree from Monash University.

Interests in shares and options

2,774,500 ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Adrian MacKenzie (non executive director) - resigned 7 March 2011

Experience and expertise

Adrian is the Partner in Charge of CVC, responsible for Asia Pacific, Australia and New Zealand. Prior to CVC Adrian was with J Henry Schroder Wagg & Co Ltd (London and New York). Adrian holds a Degree in Technology and Business Studies from the University of Strathclyde (Scotland).

Interests in shares and options

No ordinary shares held in carsales.com Ltd.

No options held over ordinary shares in carsales.com Ltd.

Graham Brooke (non executive director) - resigned 7 March 2011

Experience and expertise

Graham is the Managing Director of CVC Australia. He joined CVC in 1999 from Arthur Andersen Corporate Finance where he advised on private equity and corporate acquisitions and divestments. Graham is a member of the Institute of Chartered Accountants in England and Wales and holds a degree in Classics from Oxford University.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.
No options held over ordinary shares in carsales.com Ltd.

Jeffrey Browne (non executive director) - resigned 21 April 2011

Experience and expertise

Jeffrey is the Managing Director of Channel 9 Network and is the Chairman of Holden Special Vehicles. Jeffrey is a former commercial lawyer, with extensive experience in the automotive industry. He has a degree in Arts from La Trobe University (Melbourne) and Law from Monash University (Melbourne).

Interests in shares and options

No ordinary shares held in carsales.com Ltd.
No options held over ordinary shares in carsales.com Ltd.

David Gyngell (non executive director) - appointed 25 November 2010, resigned 7 March 2011

Experience and expertise

David Gyngell was appointed Chief Executive Officer of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) in November 2010. He previously held the posts of CEO of television production and distribution company Granada US and the Nine Network. He has also worked as Executive Director, Group Marketing and Communications for PBL. Before moving into television, David was Director of Corporate Management at International Management Group (IMG) and Transworld Media International and has also held several directorships in a range of high profile companies.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.
No options held over ordinary shares in carsales.com Ltd.

Company secretary

Cameron McIntyre and Margaret Beattie are both appointed to the role of joint company secretary. Cameron is Chief Financial Officer and Margaret is General Counsel for carsales.com Ltd. Cameron is the former Finance Director of Sensis and has over 17 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practicing Accountant, an Associate Fellow of the Australian Institute of Management and a graduate of the Harvard Business School's General Management Program. Margaret holds a Bachelor of Laws and a Bachelor of Arts from the University of Melbourne. She has held senior legal and commercial roles in major Australian and international organisations, including BHP Billiton Limited, Hewlett-Packard Inc. and Telstra Corporation Limited.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit and risk		Remuneration and nomination	
	A	B	A	B	A	B
W Pisciotta (Board Chairman, Chairman - remuneration and nomination)	11	11	**	**	2	2
G Roebuck	11	11	5	5	2	2
R Collins (Chairman - audit and risk management from September 2010)	10	11	5	5	2	2
P O'Sullivan (Chairman - audit and risk management until August 2010)	11	11	5	5	**	**
I Law (resigned 25/11/2010, re-appointed 21/04/2011)	6	6	**	**	2	2
K Anderson	11	11	5	5	**	**
S Kloss (Alternate director)	7	11	**	**	**	**
A MacKenzie (resigned 07/03/2011)	6	7	**	**	**	**
G Brooke (resigned 07/03/2011)	6	7	**	**	**	**
J Browne (resigned 21/04/2011)	8	8	4	4	**	**
D Gyngell (appointed 25/11/2010, resigned 07/03/2011)	3	3	**	**	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
**** = Not a member of the relevant committee**

Remuneration report

The remuneration report is set out under the following main headings:

Principles used to determine the nature and amount of remuneration
Details of remuneration
Service agreements
Share-based compensation
Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness.
- Acceptability to shareholders.
- Performance linkage / alignment of executive compensation.
- Transparency.
- Capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has economic profit as a core component of plan design.
- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value.
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

- Rewards capability and experience.
- Reflects competitive reward for contribution to growth in shareholder wealth.
- Provides a clear structure for earning rewards.
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short-term and long-term incentives. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of ''at risk'' rewards.

The Board has established a remuneration committee which provides advice on remuneration, incentive policies and practices, as well as specific recommendations on remuneration packages and other terms of employment for the executive director, other senior executives and non-executive directors.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

Directors’ fees

The current base remuneration was last approved by shareholders at the Annual General Meeting held on the 26th of October 2010.

Non-executive directors’ fees are determined within an aggregate directors’ fee pool limit, which is periodically recommended for approval by shareholders. The maximum payable to be shared by all non-executive directors currently stands at $650,000 per annum. The directors determine how these are to be shared by the directors.

Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits.
- Short-term performance incentives.
- Long-term incentives through participation in the carsales.com Ltd Employee Option Plan.
- Other remuneration such as superannuation.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives’ discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive’s pay is competitive within the market. An executive’s pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives’ contract.

Benefits

Executives may structure their remuneration to include benefits such as car allowances.

Superannuation

Retirement benefits are provided via defined contributions to approved superannuation funds. Other retirement benefits may be provided directly by the Group if approved by shareholders.

Short-term incentives (STI)

Key executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year, the Remuneration and Nomination Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2011, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs require performance in achieving sales targets and profit, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The Remuneration and Nomination Committee is responsible for assessing whether the KPIs are met and whether or not STIs will be paid.

The STI payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Remuneration and Nomination Committee.

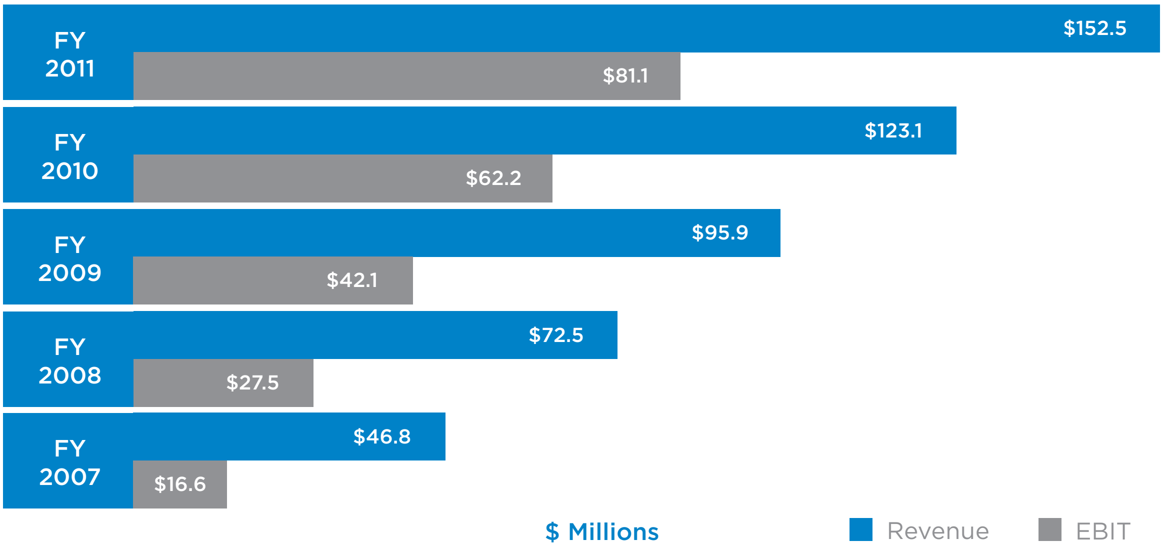
The review of STI targets and payments is conducted on an annual basis.

Long-term incentives

Long-term incentives are provided to certain employees via the carsales.com Ltd Employee Option Plan. See share-based compensation for further information.

Group Performance

The graph below shows the Group's profitability (Revenue and EBIT) for the past five years.



The Group's performance is also reflected in the movement of the Group's earnings per share (EPS) over time. The table below shows the Group's basic EPS history over the past 5 years (including the current period).

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Earnings per share (basic)	5.2	8.2	13.3	18.6	25.0

Details of Remuneration

Amounts of remuneration

Details of the remuneration of directors, key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of carsales.com Ltd and the carsales.com Ltd Group are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "Short term incentives" above, all other elements of remuneration are not directly related to performance.

The key management personnel of the Group are the directors of carsales.com Ltd (see page 14 to 15 above) and those executives that report directly to the Managing Director being:

• Cameron McIntyre	Chief Financial Officer, Joint Company Secretary
• Damian Hardy	General Manager Datamotive & Data Services
• Anthony Saines	Advertising Director
• Ajay Bhatia	Chief Information Officer
• Paul Barlow	Strategy Director
• Shane Pettiona (resigned 01/11/2010)	Chief Operating Officer
• Grant Taylor (full time secondment ended 23/03/2011)	General Manager Non Automotive

Key management personnel of the Group

2011	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	
Non-executive directors	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Wal Pisciotta	122,500	-	-	-	-	-	122,500
Ric Collins	84,862	-	-	7,638	-	-	92,500
Pat O'Sullivan	22,753	-	-	2,048	-	-	24,801
Ian law (resigned 25/11/2010, re-appointed 21/04/2011)	7,298	-	-	657	-	-	7,955
Kim Anderson	78,842	-	-	7,096	-	-	85,938
Steve Kloss (Alternate)	37,500	-	-	-	-	1,721	39,221
Adrian MacKenzie (resigned 07/03/2011)	-	-	-	-	-	-	-
Graham Brooke (resigned 07/03/2011)	-	-	-	-	-	-	-
Jeffrey Browne (resigned 21/04/2011)	-	-	-	-	-	-	-
David Gyngell (appointed 25/11/2010, resigned 07/03/2011)	-	-	-	-	-	-	-
Sub-total Non-executive directors	**353,755**	**-**	**-**	**17,439**	**-**	**1,721**	**372,915**
Executive director							
Greg Roebuck^	739,262	460,000	-	15,199	38,649	305,469	1,558,579
Other key management personnel and executives (Group)							
Cameron McIntyre^	384,801	200,000	-	15,199	7,089	208,060	815,149
Shane Pettiona (from 01/07/2010 - 01/11/2010)	116,327	-	-	8,453	-	123,729	248,509
Damian Hardy^	276,405	58,000	-	24,876	12,495	172,426	544,202
Grant Taylor (from 01/07/2010 - 23/03/2011)*	119,736	50,000	-	-	-	109,177	278,913
Anthony Saines^	252,294	175,000	-	22,706	1,636	157,485	609,121
Ajay Bhatia^	286,468	73,800	-	16,047	1,958	155,062	533,335
Paul Barlow	222,047	85,000	-	15,076	1,232	114,927	438,282
Total key management personnel compensation (Group)	**2,751,095**	**1,101,800**	**-**	**134,995**	**63,059**	**1,348,056**	**5,399,005**

Key management personnel of the Group

2010	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	
Non-executive directors	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Wal Pisciotta	96,367	-	-	-	-	4,220	100,587
Ric Collins	67,075	-	-	6,037	-	4,220	77,332
Pat O'Sullivan**	-	-	-	-	-	3,165	3,165
Ian Law**	-	-	-	-	-	3,165	3,165
Kim Anderson	-	-	-	-	-	-	-
Steve Kloss (Alternate)	62,500	-	-	-	-	7,088	69,588
Adrian MacKenzie**	-	-	-	-	-	3,165	3,165
Graham Brooke**	-	-	-	-	-	-	-
Jeffrey Browne**	-	-	-	-	-	3,165	3,165
Sub-total Non-executive directors	**225,942**	**-**	**-**	**6,037**	-	**28,188**	**260,167**
Executive director							
Greg Roebuck^#	640,000	380,000	-	13,795	61,901	570,750	1,666,446
Other key management personnel and executives (Group)							
Cameron McIntyre^	298,689	97,445	-	15,215	2,031	56,507	469,887
Shane Pettiona^	266,055	92,295	-	23,945	26,376	56,507	465,178
Damian Hardy^	226,410	61,220	-	17,748	6,500	52,869	364,747
Grant Taylor^*	235,380	64,760	-	-	-	52,869	353,009
Anthony Saines	223,054	86,618	-	20,075	1,029	28,750	359,526
Ajay Bhatia	245,384	58,328	-	20,285	1,008	26,327	351,332
Total key management personnel compensation (Group)	**2,360,914**	**840,666**	**-**	**117,100**	**98,845**	**872,767**	**4,290,292**

^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations Act 2001.

* Grant Taylor's remuneration reflects those payments made by carsales.com Ltd to Pentana Solutions Pty Ltd. He was on long-term secondment to the company which was terminated on 23 March 2011. However, he still consults to the company from time to time.

** The Board of carsales.com Ltd has been advised by the Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) non-executive directors that they have received the share options, provided as remuneration for being on the Board of the company on behalf of ACP Magazines Pty Ltd and any shares received by exercising those options will be owned by ACP Magazines Pty Ltd. The Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) non-executive directors are not paid by carsales.com Ltd nor do they receive options.

The options payment includes options issued with a 1 year vesting period. It is expected that future options issued will revert to a 3 year vesting period. As further background, the Board required a review be conducted by Mercer on the appropriate remuneration structure of the Managing Director in an ASX listed environment. Given the time between listing and AGM was under two months, this review and subsequent recommendation to shareholders was unachievable. Therefore, it was decided to set up a 1 year vesting LTI and reset to a longer term LTI in FY11 once the findings of this report had been determined and an appropriate structure could be put in place.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI*	
Directors of carsales.com Ltd	**2011**	2010	**2011**	2010	**2011**	2010
Wal Pisciotta	**100%**	96%	**-**	-	**-**	4%
Greg Roebuck	**48%**	39%	**30%**	23%	**22%**	38%
Ric Collins	**100%**	95%	**-**	-	**-**	5%
Pat O'Sullivan	**100%**	-	**-**	-	**-**	100%
Ian Law	**100%**	-	**-**	-	**-**	100%
Kim Anderson	**100%**	-	**-**	-	**-**	-
Steve Kloss	**96%**	90%	**-**	-	**4%**	10%
Adrian MacKenzie	**-**	-	**-**	-	**-**	100%
Graham Brooke	**-**	-	**-**	-	**-**	-
Jeffrey Browne	**-**	-	**-**	-	**-**	100%
David Gyngell	**-**	-	**-**	-	**-**	-
Other key management personnel of Group						
Cameron McIntyre	**49%**	67%	**25%**	21%	**26%**	12%
Shane Pettiona	**50%**	62%	**-**	20%	**50%**	18%
Damian Hardy	**55%**	67%	**11%**	17%	**34%**	16%
Grant Taylor	**43%**	67%	**18%**	18%	**39%**	15%
Anthony Saines	**45%**	68%	**29%**	24%	**26%**	8%
Ajay Bhatia	**57%**	76%	**14%**	16%	**29%**	8%
Paul Barlow	**54%**	-	**19%**	-	**27%**	-

*** Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions.**

Service agreements

There are no service agreements between the company and its non executive directors. The company's constitution requires that directors remuneration be determined at Annual General Meetings. There are no agreements to pay benefits to non executive directors upon termination.

Remuneration and other terms of employment for the Managing Director and key management personnel are formalised in service agreements. Unless otherwise stated each of these agreements provide for the provision of base salary and in some circumstances the provision of other benefits such as commissions, cash bonuses, car allowances, provision of company cars and where eligible participation in the company's employee option plan. None of the agreements provide for any payment of benefits upon termination of employment, other than for accrued employee benefits and statutory or contractual notice periods. Details of payments made under the agreements is shown earlier in this note.

All executives have on-going terms of agreement with the Group with the exception of Paul Barlow (end date 9 June 2012). Contracts can be terminated on the basis of performance, long term illness or otherwise by agreement.

Share-based compensation

Options

Options are granted under the carsales.com Ltd Employee Option Plan which was established via a prospectus lodged with ASIC in 2000. The Board of Directors determines who shall be invited to participate in the plan. Options under this plan are issued for no cash consideration. Options are issued subject to vesting rules and expiry periods. Options vest on fixed dates provided that employment has not been terminated, and for senior executives, when EPS targets have been achieved. The exercise price of each option is fixed by the Board of Directors when the options are issued. Amounts received on the exercise of options are recognised as share capital. Options granted under the plan carry no dividend or voting rights.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	% Vested	Performance acheived
December 2006	December 2006	December 2011	$1.05	$0.29	100	Yes
February 2007	November 2008	November 2011	$1.05	$0.40	100	Yes
July 2007	June 2009	June 2014	$1.75	$0.55	100	Yes
August 2007	May 2009	August 2012	$1.75	$0.55	100	Yes
October 2007	October 2010	October 2012	$2.15	$0.41	100	Yes
October 2007	October 2008	October 2011	$2.15	$0.41	100	Yes
September 2008	September 2009	September 2012	$2.00	$0.16	100	Yes
September 2008	September 2009	September 2012	$2.15	$0.18	100	Yes
September 2008	September 2011	September 2013	$2.00	$0.21	n/a	To be determined
July 2009	July 2012	July 2014	$2.00	$0.36	n/a	To be determined
December 2009	June 2010	June 2014	$3.89	$0.98	100	Yes
March 2010	October 2012	October 2014	$3.89	$2.01	n/a	To be determined
October 2010	June 2011	October 2015	$4.90	$0.95	100	Yes
October 2010	June 2012	October 2015	$4.90	$1.16	n/a	To be determined
October 2010	June 2013	October 2015	$4.90	$1.32	n/a	To be determined
March 2011	June 2011	October 2015	$4.90	$1.11	100	Yes
March 2011	June 2012	October 2015	$4.90	$1.29	n/a	To be determined
March 2011	June 2013	October 2015	$4.90	$1.44	n/a	To be determined

When vested and exercisable, each option is convertible into one ordinary share upon payment of the exercise price by the option holder, provided that the option holder complies with the rules of the carsales.com Ltd Employee Option Plan.

Options not exercised expire where (a) the expiry date applicable to the option is reached, (b) the employee ceases to be employed by carsales.com Ltd or their employment is terminated, (c) where non employment based vesting conditions are not met within a year, or (d) where there has been a special circumstance, then within 90 days after that special circumstance has occurred or as specified by the Board.

Details of options granted over ordinary shares in the company provided as remuneration to each director of carsales.com Ltd and each of the key management personnel of the parent entity and the Group are set out below.

Further information on the options is set out in Note 29 to the financial statements.

	Number of options granted during the year 2011	$ value of options at grant date 2011	Number of options vested during the year 2011
Directors of carsales.com Ltd			
G Roebuck	**500,000**	593,840	**500,000**
S Kloss (Alternate)	**-**	-	**37,500**
Other key management personnel and executives of the Group			
C McIntyre	**200,000**	263,689	**100,000**
S Pettiona	**-**	-	**100,000**
D Hardy	**150,000**	197,766	**100,000**
G Taylor	**-**	-	**100,000**
A Saines	**150,000**	197,766	**-**
A Bhatia	**150,000**	197,766	**-**
P Barlow	**100,000**	131,844	**-**

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of carsales.com Ltd and other key management personnel of the Group are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year 2011	Value at exercise date* 2011
Directors of carsales.com Ltd			
W Pisciotta	November 2010	**250,000**	633,750
G Roebuck	September 2010	**250,000**	252,500
S Kloss (Alternate)	November 2010	**37,500**	92,625
Other key management personnel and executives of the Group			
C McIntyre	December 2010	**100,000**	253,000
S Pettiona	November 2010	**100,000**	268,000
G Taylor	March 2011	**100,000**	283,000
D Hardy	March 2011	**100,000**	307,000

*** The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.**

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
September 2010	$3.89
November 2010	$2.15
November 2010	$2.00
December 2010	$2.15
December 2010	$2.00
March 2011	$2.15

No amounts are unpaid on any shares issued on the exercise of options.

Additional information

Details of remuneration: Bonuses and share-based compensation benefits

For each cash bonus and grant of options, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The vesting periods for options are detailed above. No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Bonus		Share-based compensation benefits (options)					
	Paid %	Forfeited %	Financial year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
G Roebuck	200	-	2008	100	-		-	-
			2009	-	-	2012	-	5,767
			2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2012*	-	86,828
			2011	-	-	2013*	-	247,583
C McIntyre	211	-	2008	100	-		-	-
			2009	-	-	2012	-	1,730
			2009	-	-	2013	-	10,463
			2010	-	-	2013	-	135,823
			2011	100	-		-	-
			2011	-	-	2012*	-	51,715
			2011	-	-	2013*	-	127,643
D Hardy	116	-	2008	100	-		-	-
			2009	-	-	2012	-	1,730
			2009	-	-	2013	-	10,463
			2010	-	-	2013	-	116,419
			2011	100	-		-	-
			2011	-	-	2012*	-	38,786
			2011	-	-	2013*	-	95,732
G Taylor	100	-	2008	100	-		-	-
			2009	-	-	2012	-	1,730
			2009	-	-	2013	-	10,463
			2010	-	-	2013	-	116,419
S Pettiona	-	100	2008	100	-		-	-
			2009	-	100		-	-
			2009	-	100		-	-
			2010	-	100		-	-
A Saines	159	-	2009	-	-	2012	-	1,442
			2010	-	-	2013	-	116,419
			2011	100	-		-	-
			2011	-	-	2012*	-	38,786
			2011	-	-	2013*	-	95,732
A Bhatia	123	-	2009	-	-	2012	-	937
			2010	-	-	2013	-	116,419
			2011	100	-		-	-
			2011	-	-	2012*	-	38,786
			2011	-	-	2013*	-	95,732
P Barlow	174	-	2010	-	-	2013	-	97,016
			2011	100	-		-	-
			2011	-	-	2012*	-	25,858
			2011	-	-	2013*	-	63,821

* Vesting is contingent upon Board approval.

Shares under option

Unissued ordinary shares of carsales.com Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
Feb-2007	Nov-2011	$1.05	75,000
Jul-2007	Jun-2014	$1.75	93,000
Oct-2007	Oct-2012	$2.15	580,000
Sep-2008	Sep-2012	$2.00	125,000
Sep-2008	Sep-2013	$2.00	1,290,000
Jul-2009	Jul-2014	$2.00	240,000
Dec-2009	Jun-2014	$3.89	250,000
Mar-2010	Oct-2014	$3.89	978,750
Oct-2010	Oct-2015	$4.90	500,000
Mar-2011	Oct-2015	$4.90	1,490,000
			5,621,750

No option holder has any right under the options to participate in any other share issue of the company.
No options have been issued post 30 June 2011.

Shares issued on the exercise of options

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2011 on the exercise of options granted under the carsales.com Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

Date options exercised	Issue price of shares	Number of shares issued
Sep-2010	$1.75	10,000
Sep-2010	$3.89	250,000
Nov-2010	$2.15	366,250
Nov-2010	$2.00	218,750
Dec-2010	$2.00	281,250
Dec-2010	$2.15	456,250
Mar-2011	$1.75	5,000
Mar-2011	$2.15	260,000
May-2011	$2.15	10,000
Jun-2011	$1.75	2,000
		1,859,500

Insurance of officers

During the financial year, carsales.com Ltd paid a D&O insurance premium of $52,447 to insure the directors, officers and secretaries of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Prospectus Liability Insurance covers losses (such as damages and defence costs) in respect of claims (such as proceedings) against both the company and its directors and officers, in respect of statements and information in the prospectus and related presentations. Prospectus Liability Insurance Policies are placed for a period of up to 7 years.

Indemnification of officers

All current directors are indemnified under a deed of indemnity, insurance and access in accordance with the Board Charter.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2011 **$**	2010 $
Other assurance services **PwC Australian firm:**		
Due diligence services	**161,501**	110,940
Controls assurance services	**59,148**	34,181
Computer software services	**8,299**	4,667
Total remuneration for other assurance services	**228,948**	149,788
Taxation services **PwC Australian firm:**		
Tax compliance services	**40,000**	46,440
Tax consulting and tax advice on acquisitions	**49,429**	41,877
Total remuneration for taxation services	**89,429**	88,317
Other Advisory services **PwC Australian firm:**		
Related practices of PwC Australian firm	**100,000**	28,313
Total remuneration for other services	**100,000**	28,313
Total remuneration for non-audit services	**418,377**	266,418

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

Wal Pisciotta
Director

Greg Roebuck
Director
Hawthorn, 16 August 2011

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Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Ltd for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of carsales.com Ltd and the entities it controlled during the period.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
16 August 2011

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"Financially, FY2011 was another wonderful year. Revenue has topped $150m with growth of 26% year on year. Earnings before interest, tax, depreciation and amortisation grew 30% to just under $84m."

Greg Roebuck

“We’ve continued to invest in our mobile offerings and along with the mobile sites, we have added apps for boatsales and bikesales with more to come.”

Greg Roebuck

Corporate Governance
Statement

Corporate Governance Statement

carsales.com Ltd (the company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations (including 2010 Amendments), unless otherwise stated.

The Board of Directors

The directors are responsible for protecting the rights and interests of the company, its shareholders and other stakeholders, including creditors and employees, and are accountable to them for the overall management of the company.

Responsibilities

The responsibilities of the Board include:

- Protecting and enhancing the value of the assets of the company.
- Setting strategies, directions and monitoring and reviewing performance against these strategic objectives.
- Reviewing and ratifying internal controls, codes of conduct, legal and risk management compliance.
- Reviewing and approval of the Group's accounts.
- Approval and review of the annual operating budget.
- Evaluating performance and determining the remuneration of the Managing Director and senior management. For further details, refer to the remuneration report, and the Remuneration and Nomination Committee section.
- Ensuring the significant risks facing the company have been identified and adequate control monitoring and reporting mechanisms are in place.
- Approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits.
- Approval of financial and dividend policy.
- Appointment of the Managing Director.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

Structure of the Board

The Board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the company website at http://shareholders.carsales.com.au

Board composition

The charter states:

- The number of directors must not be less than 3. There are presently 6 directors of the company.
- With the exception of the Managing Director, a director may not hold office for more than three years or beyond the third annual general meeting following his appointment (whichever is the longer period) without submitting himself for re-election.
- The Board should at all times comprise a minimum of 1 independent director, to ensure that the company is run in its own best interests and, accordingly, in the best interests of shareholders.
- The composition of, and terms of reference for, the Board is to be reviewed annually by the Board and the Chairman is to assess the effectiveness of the Board.

Directors' independence

In considering whether a director is independent the Board has regard to ASX Principles 2.1. When determining the status of an independent director, the board should consider whether the director:

- Not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Within the last three years, not have been employed in an executive capacity by the company or any other Group member, or been a director after ceasing to hold any such employment.
- Within the last three years not have been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided.
- Not be a material supplier or customer of the company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Must have no material contractual relationship with the company or a controlled entity other than as a director of the Group.

The Board currently consists of 3 independent directors. This does not comply with the recommendations contained in ASX Principal 2.1, which recommends a majority of independent directors on the Board, due to the substantial shareholding in carsales.com Ltd by Mr Pisciotta.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading ''Information on directors''. At the date of signing the directors' report, there was 1 executive director and 5 non-executive directors.

Chairman

The Chairman is responsible for leading the Board, ensuring directors are properly briefed on all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the company's senior executives. Mr Pisciotta is not an independent director and as a result of his substantial shareholding in carsales, the company does not comply with recommendation 2.2 of the ASX guidelines. However, Mr Pisciotta appointment brings over 40 years of automotive industry experience to the carsales Board.

Term of office

The company's constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Commitment

The number of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the number of meetings attended by each director is disclosed on page 15.

Conflict of interests

Entities connected with the directors that had business dealings with the Group during the year, are described in note 21 to the financial statements. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense, with the approval of the Chairman or by resolution of the Board.

Performance evaluation

The performance evaluation of the Board has regard for the extent to which the directors have met their responsibilities in terms of the Board Charter.

Board Committees

The Board has established two committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Nomination Committee and the Audit and Risk Management Committee. The committees' structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its roles and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Committee Chairs provide updates which are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

R Collins (Independent) - Chairman
P O'Sullivan
K Anderson (Independent)
J Browne (resigned 21/04/2011)

Details of these directors' qualifications and attendance at Audit and Risk Management Committee meetings are set out in the directors' report on pages 14 - 15.

From the 26th of July 2011 Mr Law, who is an independent director, took the position of Chairman from Mr Collins.

The Audit and Risk Management Committee operates in accordance with a charter which is available on the company website. The main responsibilities of the committee are:

External reporting:

- Reviewing the appropriateness of the accounting policies and principles, any changes to those policies and principles and the methods of applying them to ensure that they are in accordance with the company's stated financial reporting framework.
- Overseeing the preparation of financial reports and reviewing the results of external audits of these reports.
- Assessing significant estimates and judgments in financial reports by examining the processes used to make material estimates and judgments and making enquiries of the external auditors as to the basis for their conclusions about the reasonableness of management's estimates.
- Reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the company of financial and non-financial information.
- Assessing (before publication) whether external reporting is consistent with committee members' information and knowledge.
- Reviewing the completeness and accuracy of the company's main corporate governance practices.
- Assessing information from external auditors that affects the quality of financial reports.
- Requesting that the external auditor provide an independent judgment about the appropriateness, not just the acceptability, of the accounting principles used and the clarity of financial disclosure practices used by the company.
- Assessing the management of non-financial information in documents to ensure the information does not conflict inappropriately with financial statements.
- Recommending to the Board whether the financial statements should be signed based on the committee's assessment of them.
- Examining and evaluating the effectiveness of the internal control system with management and external auditors.

Internal controls and risk assessment:

- Assessing existing controls in place for the management of unusual transactions or transactions that may carry more than an accepted level of risk.
- Meeting periodically with key management, external auditors and compliance staff to understand the company's control environment.
- Receiving reports concerning all suspected and actual frauds, thefts and breaches of the law.
- Assessing and ensuring that there are internal processes for determining and managing key areas, such as important judgements and accounting estimates.
- Reviewing the effectiveness of the company risk management system and ensuring that material risks are identified.
- Ensuring management processes are in place, including the formulation and subsequent updating of appropriate company policies.
- Reviewing the effectiveness of the company's environment and health and safety risk management systems.
- Evaluating the adequacy and effectiveness of administrative, operating and accounting controls of the company.
- Reviewing actual and potentially material risk exposures.

- Monitoring the implementation of company risk management plans.
- Reviewing insurance and other risk transfer arrangements, and considering whether the appropriate arrangements are in place.

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- Receives regular reports from management and the external auditors.
- Reviews the processes the Managing Director and CFO have in place to support their certifications to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Meets separately with the external auditors at least twice a year without the presence of management.
- Provides external auditors with a clear line of direct communication at any time to either the Chair of the Audit and Risk Management Committee or the Chair of the Board.

The Audit and Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The company and the Audit and Risk Management Committee's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers (PwC) was appointed as the external auditor in 2000. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2008.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is disclosed in note 22 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Management Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.
- That the above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Remuneration and Nomination Committee

ASX Principle 2 of best practice in corporate governance recommends that a Remuneration and Nomination Committee be formed of at least 3 members with a majority of independent directors. The full recommendations of 2.1 of the ASX guidelines are not met as the Chairman is not independent and the majority of the committee is not made up of independent directors. Although not independent Mr Pisciotta brings over 40 years of automotive industry experience.

The Remuneration and Nomination Committee consists of the following directors (two of whom are independent):

W Pisciotta (Chairman)
G Roebuck
I Law (Independent)
R Collins (Independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 15.

The Remuneration and Nomination Committee operates in accordance with its charter which is available on the company website. The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration, recruitment, retention and termination policies and procedures applicable to senior executives and directors. In addition the committee will facilitate an efficient mechanism for examination of the selection and appointment practices of the company.

When a new director is to be appointed the Remuneration and Nomination Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company.

The specific matters the committee may consider include the review of:

- Senior executives and directors' remuneration and incentives, including the link between company and individual performance.
- Current industry best practice.
- Different methods for remunerating senior executives and directors.
- Existing or proposed share option schemes or other incentive schemes.
- Superannuation arrangements.
- Retirement, termination benefits and payments for senior executives.
- Professional indemnity and liability insurance policies.
- Considering the appropriate size and composition of the Board.
- Consider and implement a plan for identifying, assessing and enhancing director competencies.
- Developing a process for evaluation of the performance of the Board, its committees and directors.
- Reviewing the skills, experience and expertise represented on the Board and determining whether those skills meet the required skills identified.
- Recommending changes to the membership of the Board.
- Making recommendations to the Board on candidates it considers appropriate for appointment.
- Reviewing the retiring non executive director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring non executive director.
- Reviewing the company's succession planning to maintain an appropriate balance of skills, experience and expertise on the Board.

Code of Conduct

The company has developed a statement of values and a code of conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is designed to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is governed by the company's share trading policy which restricts the period in which the shares can be traded. Any transactions undertaken must be notified to the Company Secretary in advance and approved by the Managing Director or the Chairman.

The Code and the company's trading policy is discussed with each new employee as part of their induction training.

The directors are satisfied that the Group has complied with its policies on ethical standards. including trading in securities.

A copy of the Code and the trading policy is available on the company's website.

Continuous disclosure and shareholder communication

The Company Secretary has been nominated as the role responsible for communications with the Australian Stock Exchange (ASX). This includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders have access to a copy of the company's annual and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on company matters.

Financial Report

Contents

This financial report covers the consolidated financial statements for the consolidated entity consisting of carsales.com Ltd and its subsidiaries. The financial report is presented in the Australian currency.

carsales.com Ltd is a company limited by shares, incorporated and domiciled in Australia.
Its registered office and principal place of business is:

carsales.com Ltd
Level 1, 109 Burwood Road
Hawthorn Vic 3122

A description of the nature of the consolidated entity's operations and its principal activities is included in the Chairman's letter to shareholders on page 7, the Managing Director's review of operations on page 9 and in the Directors' Report on pages 13 - 27, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 16 August 2011. The directors have the power to amend and reissue the financial report.

For queries in relation to our reporting please call 03-9093-8600.

Consolidated statement of comprehensive income

For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Revenue from continuing operations			
Sale of goods and services	5	**152,510**	120,609
Other revenue from ordinary activities	5	**987**	484
Revenue from continuing operations		**153,497**	121,093
Other income	6	**4**	-
Expenses			
Sales and marketing expenses		**(42,361)**	(34,240)
Operations and administration		**(12,597)**	(11,719)
Service development and maintenance		**(12,040)**	(9,042)
Other expenses		**(4,393)**	(3,367)
Finance costs	7	**(2)**	(672)
Profit before income tax		**82,108**	62,053
Income tax expense	8	**(23,848)**	(18,818)
Profit from continuing operations		**58,260**	43,235
Other comprehensive income			
Exchange differences on translation of foreign operations		**(87)**	(13)
Total comprehensive income for the year		**58,173**	43,222
Profit is attributable to:			
Owners of carsales.com Ltd		**58,260**	43,235
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		**58,173**	43,222
Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:		**Cents**	Cents
Basic earnings per share		**25.0**	18.6
Diluted earnings per share		**24.4**	18.5
Earnings per share based on profit, attributable to the ordinary equity holders of the parent entity:		**Cents**	Cents
Basic earnings per share		**25.0**	18.6
Diluted earnings per share		**24.4**	18.5

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

Consolidated balance sheet

As at 30 June 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**32,840**	13,605
Receivables	10	**19,733**	16,839
Total current assets		**52,573**	30,444
Non-current assets			
Property, plant and equipment	11	**1,927**	2,379
Deferred tax assets	12	**2,326**	1,495
Intangible assets	13	**81,467**	79,750
Total non-current assets		**85,720**	83,624
Total assets		**138,293**	114,068
LIABILITIES			
Current liabilities			
Payables	14	**13,625**	9,705
Current tax liabilities		**8,831**	9,321
Provisions	15	**2,627**	2,408
Other current liabilities	16	**4,017**	3,325
Total current liabilities		**29,100**	24,759
Non-current liabilities			
Provisions	17	**447**	335
Total liabilities		**29,547**	25,094
Net assets		**108,746**	88,974
EQUITY			
Contributed equity	18	**68,735**	64,384
Reserves	19(a)	**1,497**	2,990
Retained profits	19(b)	**38,514**	21,600
Total equity		**108,746**	88,974

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2011

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		**62,293**	**1,939**	**11,773**	**76,005**
Profit for the year		-	**-**	**43,235**	**43,235**
Exchange differences on translation of foreign operations	19	-	(13)	-	(13)
Total comprehensive income for the year		**-**	**(13)**	**43,235**	**43,222**
Transactions with owners in their capacity as owners:					
Contributions of equity upon exercise of employee share options		2,091	-	-	2,091
Dividends provided for or paid	20	-	-	(33,408)	(33,408)
Increase in share-based payment reserve	19	-	1,064	-	1,064
Balance at 30 June 2010		**64,384**	**2,990**	**21,600**	**88,974**

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2010		**64,384**	**2,990**	**21,600**	**88,974**
Profit for the year		-	**-**	**58,260**	**58,260**
Exchange differences on translation of foreign operations	19	-	(87)	-	(87)
Total comprehensive income for the year		**-**	**(87)**	**58,260**	**58,173**
Transactions with owners in their capacity as owners:					
Contributions of equity upon exercise of employee share options		4,351	-	-	4,351
Dividends provided for or paid	20	-	-	(41,346)	(41,346)
Increase in share-based payment reserve	19	-	1,680	-	1,680
Share buy-back - treasury shares	19	-	(3,086)	-	(3,086)
Balance at 30 June 2011		**68,735**	**1,497**	**38,514**	**108,746**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (incl GST)		**165,559**	131,482
Payments to suppliers and employees (incl GST)		**(81,227)**	(67,189)
		84,332	64,293
Interest received		**987**	484
Interest paid		**(2)**	(672)
Income taxes paid		**(25,169)**	(13,660)
Net cash inflow from operating activities	27	**60,148**	50,445
Cash flows from investing activities			
Purchase of subsidiary, net of cash acquired		**(1,033)**	-
Payments for property, plant and equipment		**(710)**	(839)
Payments for domain names		**(1,501)**	(365)
Payments for computer software		**(678)**	(1,270)
Proceeds from disposal of assets		**4**	-
Net cash (outflow) from investing activities		**(3,918)**	(2,474)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**4,351**	3,316
Costs associated with share issue		**-**	(1,225)
Proceeds from borrowings		**-**	1,000
Repayment of borrowings		**-**	(19,767)
Finance lease payments		**-**	(11)
Dividends paid to company shareholders	20	**(41,346)**	(33,408)
Net cash (outflow) from financing activities		**(36,995)**	(50,095)
Net increase (decrease) in cash and cash equivalents		**19,235**	(2,124)
Cash and cash equivalents at the beginning of the financial year		**13,605**	15,729
Cash and cash equivalents at end of year	9	**32,840**	13,605

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statement

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of carsales.com Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with International Financial Reporting Standards

The financial report of carsales.com Ltd complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation

The accounting policies adopted are consistent with those of the previous financial year, with the exception outlined below:

With effect from 1st July 2010 the Group changed its accounting policy on revenue recognition in relation to advertising agency sales commissions incurred. When the services of a sales agency have been utilised to sell advertising services on behalf of the Group, previously the commission incurred on these sales was recorded as expenditure. This commission is now recorded as a reduction against total revenue and has the effect of reducing total revenue and costs for year ending 30 June 2011 by $3.8m (2010 - $2.5m). This change has had no impact on profit or retained earnings for either period, being a reclassification item only, and the comparative income statement has been restated to reflect this change. The directors believe this change better reflects the economic substance of both the relationship and transactions with sales agencies.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd (''company'' or ''parent entity'') as at 30 June 2011 and the results of all subsidiaries for the year then ended. carsales.com Ltd and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the company (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Investments in subsidiaries are accounted for at cost in the individual financial statements of carsales.com Ltd.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the strategy group that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is carsales.com Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each consolidated income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Where services have not been provided but the company is obligated to provide the services in the future, revenue recognition is deferred. Where the Group has utilised the services of a sales agency to sell advertising services on behalf of the Group, the sale is recorded at a value net of sales commissions paid to the sales agency. Revenue is recognised for the major business activities as follows:

(i) Advertising services
A sale is recorded when a customer's advertisement has been displayed or when a referral has been generated leading to an enforceable claim by the Group.

(ii) Data and other services
A sale is recorded when data and other services have been provided to a customer leading to an enforceable claim by the Group.

(iii) Interest income
Interest income is recognised on a time proportionate basis using the effective interest method. When a receivable is impaired, the Group 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 loans is recognised using the original effective interest rate.

(iv) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation legislation
carsales.com Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, carsales.com Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, carsales.com Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the company.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent payments classified as debt are subsequently remeasured through profit or loss. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the company's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a discount on purchase. If the company recognises previous acquired deferred tax assets after the initial acquisition accounting is completed these will be recorded directly in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statements presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement generally within 30 days following the provision of advertising or data services.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within the 'operations and administration' expense. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) 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 classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) 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 those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables in the balance sheets. Refer to note 1(k) for details of the impairment policy for trade receivables.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years
- Computer hardware & peripherals 3-4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each primary operating segment (note 4).

(ii) IT development: Software, domain names and database

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Redbook database costs capitalised include direct payroll and payroll related costs of employees' time spent on developing the database. These intangible assets have finite lives and are subject to amortisation.

The useful lives for these assets are as follows:

- Software 3 years
- Domain Names 5 years
- Database 10 years

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved services) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible asset and amortised from the point of which the asset is ready for use on a straight line basis over its useful life, which varies from 3 to 5 years.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amount expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined contribution plan. The defined contribution plan receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The employees of the parent entity are all members of the defined contribution section of the Group's plan.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the carsales.com Ltd Option Plan. Information relating to these schemes is set out in note 29.

The fair value of options granted under the carsales.com Ltd Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(v) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Shares bought back by the company that have not been cancelled at the balance sheet date are presented within the treasury share reserve as a deduction from equity. When the shares are cancelled the value of the shares is transferred to the share capital reserve.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (December 2009) (effective from 1 January 2013)
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (December 2010) (effective from 1 January 2012)
- IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of interests in other entities and revised IAS 27 Separate financial statements and IAS 28 Investments in Associates and Joint Ventures (May 2011) (effective from 1 January 2013)
- IFRS 13 Fair value measurement (May 2011) (effective from 1 January 2013)
- AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements (May 2011) (effective from 1 July 2011)
- Revised IAS 1 Presentation of Financial Statements (June 2011) (effective from 1 July 2012)
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (July 2011) (effective from 1 July 2013)

The Group has not yet adopted the above standards. It is not expected that these new standards and interpretations will have a significant impact on the company's financial statements and disclosures.

(x) Parent entity financial information

The financial information for the parent entity, carsales.com Ltd, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of carsales.com Ltd. Dividends received from subsidiaries are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments. Investments in subsidiaries are tested for impairment whenever changes in events or circumstances indicate that the carrying amount may not be recoverable. Such events may include receipt of dividends, refer note 1(i) for details of impairment accounting policies.

(ii) Tax consolidation legislation

carsales.com Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. Refer note 1(f).

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cashflows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Group is not subject to significant financial risk in respect of price, currency, or foreign exchange.

(a) Credit risk

Credit risk of the Group arises predominantly from outstanding receivables from customers.

The Group's credit risk on its receivables is recognised on the balance sheet at the carrying amount of those receivable assets, net of any provisions for doubtful debts. There are no significant concentrations of receivables within the Group. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not considered to be material.

Details of impaired and past due receivables are disclosed in note 10.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted by carsales.com Ltd.

(b) Interest rate risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the cash at bank and the cash advance facility. The interest rate applicable at year end on the cash at bank was 4.9%, while the interest on the cash advance facility was 5.8%. Interest charged on inter company loans between wholly owned subsidiaries is 0%.

As at reporting date, the Group had $0 (2010 - $0) variable rate borrowings at a weighted average interest rate of 5.8% (2010 - 6.0%).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	2011 $'000	2010 $'000
Floating rate		
- Expiring within one year (cash advance facility)	**23,500**	-
- Expiring beyond one year (cash advance facility)	**-**	23,500
	23,500	23,500

Subject to the continuance of satisfactory credit ratings, the cash advance facilities may be drawn at any time. On the 24th of June 2011, the company signed a 3 year revolving cash advance facility agreement with the National Bank of Australia for the amount of $125m, effective from the 25th of July 2011.

Maturities of financial liabilities

The following table sets out the Group's exposure to liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	0 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Group - at 30 June 2011					
Non-derivatives					
Non-interest bearing payables	5,635	-	-	5,635	5,635
Variable rate borrowings	-	-	-	-	-
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	**5,635**	**-**	**-**	**5,635**	**5,635**
Group - at 30 June 2010					
Non-derivatives					
Non-interest bearing payables	3,408	-	-	3,408	3,408
Variable rate borrowings	-	-	-	-	-
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	**3,408**	**-**	**-**	**3,408**	**3,408**

(d) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and non-interest bearing financial liabilities of the consolidated entity approximates their carrying amounts. There are no off balance sheet financial instruments in place.

(e) Fair value estimation

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

	Carrying amount $'000	Interest rate risk -100 bps Profit $'000	Interest rate risk -100 bps Other Equity $'000	Interest rate risk +100 bps Profit $'000	Interest rate risk +100 bps Other Equity $'000	Foreign exchange risk -100 bps Profit $'000	Foreign exchange risk -100 bps Other Equity $'000	Foreign exchange risk +100 bps Profit $'000	Foreign exchange risk +100 bps Other Equity $'000
30 June 2011									
Financial assets									
Cash and cash equivalents	32,840	(229)	-	229	-	-	7	-	(7)
Accounts receivable	19,733	-	-	-	-	-	-	-	-
Financial liabilities									
Trade payables	13,625	-	-	-	-	-	(9)	-	8
Borrowings	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		**(229)**	**-**	**229**	**-**	**-**	**(2)**	**-**	**1**
30 June 2010									
Financial assets									
Cash and cash equivalents	13,605	(146)	-	146	-	-	10	-	(9)
Accounts receivable	16,839	-	-	-	-	-	-	-	-
Financial liabilities									
Trade payables	9,705	-	-	-	-	-	(2)	-	2
Borrowings	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		**(146)**	**-**	**146**	**-**	**-**	**8**	**-**	**(7)**

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 are discussed below.

(i) Estimated impairment of goodwill

The company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 13 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Employee options

Fair value of employee options: refer to details of assumptions in note 29.

4. Segment information

(a) Description of segments

The Group principally operates in two business segments: Online Advertising Services and Data and Research Services. All activities are principally conducted in the Australian Market.

Online Advertising Services

Carsales online advertising offerings can be broken into two key product sets being classified advertising and display advertising services.

Classified advertising is currently the major product offering of the company and encompasses both private sellers and dealer customers. Classified advertising typically involves the owner of a specific item, such as a 2004 Red brand x car with 23,242 kilometres or a brand new Blue brand x motorbike with sidecar etc.; advertising their item for sale via a particular medium, which in the case of carsales, is through its online websites.

Display advertising, typically involves corporate customers such as automotive manufacturers/importers, finance and insurance companies etc., placing advertisements on a carsales website. These advertisements typically display the product or service offerings of the corporate advertiser such as a special offer on new utes by manufacturer x, or save 10% on insurance this month only etc.

Data and Research Services

The carsales divisions of ERG, Redbook, LiveMarket and DataMotive provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies, finance and insurance companies offering products including software, analysis, research and reporting, valuation services, website development and hosting as well as photography services. This segment also includes display advertising related to these divisions.

(b) Primary reporting format - business segments

2011	Online Advertising $'000	Data and Research $'000	Total $'000
Segment revenue			
Segment revenue (note (i))	133,494	19,016	152,510
Total segment revenue	**133,494**	**19,016**	**152,510**
EBITDA (note (ii))	**75,708**	**8,128**	**83,836**
Depreciation and amortisation			(2,713)
Net interest income			985
Profit before income tax			**82,108**
Income tax expense			(23,848)
Profit for the year			**58,260**
Segment assets (note (iii))	**75,222**	**21,956**	**97,178**
Deferred tax asset			2,326
Unallocated assets			38,789
Total assets			**138,293**

2010	Online Advertising $'000	Data and Research $'000	Total $'000
Segment revenue (note (i))	105,203	15,406	120,609
Total segment revenue	**105,203**	**15,406**	**120,609**
EBITDA (note (ii))	**58,727**	**5,815**	**64,542**
Depreciation and amortisation			(2,301)
Net interest expense			(188)
Profit before income tax			**62,053**
Income tax expense			(18,818)
Profit for the year			**43,235**
Segment assets (note (iii))	**74,086**	**19,125**	**93,211**
Deferred tax asset			1,495
Unallocated assets			19,362
Total assets			**114,068**

(c) Notes to, and forming part of, the segment information

(i) Segment revenues

Segment revenues are derived from sales to external customers as set out in the table above. The nature of the segment revenues are as described in 4(a) above.

(ii) Segment EBITDA

The consolidated entity's key operating decision maker assesses the performance of the segments based on a measure of EBITDA. Interest revenue and expense, depreciation and amortisation are not reported to the chief operating decision maker by segment. These items are assessed at a consolidated entity level.

(iii) Segment assets

Segment assets include goodwill and trade receivables. Unallocated assets include property, plant and equipment, intangibles and other assets. All unallocated assets are assessed by the chief operating decision maker at a consolidated level.

(iv) Liabilities

Liabilities are not reported to the chief operating decision maker by segment. All liabilities are assessed at a consolidated entity level.

5. Revenue

From continuing operations

	2011 $'000	2010 $'000
Sales revenue		
Sale of goods and services	**152,510**	120,609
Other revenue		
Interest	**987**	484
	153,497	121,093

6. Other income

	2011 $'000	2010 $'000
Net gain on disposal of property, plant and equipment	**4**	-
	4	-

7. Expenses

	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:		
Total employee benefits	**32,488**	25,609
Foreign exchange losses	**158**	33
Interest and finance charges paid/payable	**2**	672
Minimum lease payments	**2,333**	2,151
Research and development	**3,036**	2,251
Defined contribution superannuation expense	**2,311**	1,784
Net loss on disposal of property, plant and equipment	**28**	2
Depreciation and amortisation expense	**2,713**	2,301

8. Income tax expense

(a) Income tax expense

	2011 $'000	2010 $'000
Current tax	**25,692**	19,205
Deferred tax	**(831)**	(358)
Adjustments for current tax of prior periods	**(1,013)**	(29)
	23,848	18,818
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) in deferred tax assests (notes 12)	**(831)**	(358)
	(831)	(358)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	**82,108**	62,053
Tax at the Australian tax rate of 30% (2010 - 30%)	**24,632**	18,616
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**504**	319
Sundry items	**(275)**	(88)
Adjustments for current tax of prior periods	**(1,013)**	(29)
Total income tax expense	**23,848**	18,818

(c) Tax consolidation legislation

carsales.com Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2006. The accounting policy in relation to this legislation is set out in note 1(f).

9. Current assets - Cash and cash equivalents

	2011 $'000	2010 $'000
Cash in hand	**5**	5
Bank balances	**32,835**	13,600
	32,840	13,605

(a) Risk exposure

The company's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Cash at bank and in hand

Cash in hand is non-interest bearing. Bank balances attracted interest at an average rate of 4.9% (2010: 3.8%).

10. Current assets - Receivables

Net trade receivables

	2011 $'000	2010 $'000
Trade receivables	**19,611**	17,180
Provision for impairment of receivables (note (a))	**(1,050)**	(1,016)
	18,561	16,164
Prepaid general	**869**	664
	869	664
Other receivables	**303**	11
	19,733	16,839

Receivables from related parties are disclosed under note 24.

(a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the Group with a nominal value of $1,050,000 (2010 - $1,016,000) were impaired. The amount of the provision was $1,050,000 (2010 - $1,016,000). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

The ageing of these receivables is as follows:

	2011 $'000	2010 $'000
1 to 3 months	**197**	246
3 to 6 months	**483**	438
Over 6 months	**370**	332
	1,050	1,016
Movements in the provision for impairment of receivables are as follows:		
At 1 July	**1,016**	607
Provision for impairment recognised during the year	**771**	694
Receivables written off during the year as uncollectible	**(737)**	(285)
At 30 June	**1,050**	1,016

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 30 June 2011, trade receivables of $3,375,000 (2010 - $3,947,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 $'000	2010 $'000
Up to 3 months	**3,297**	3,683
3 to 6 months	**78**	264
	3,375	3,947

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest is not charged and collateral is not normally obtained.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the company and the credit quality of the entity's trade receivables.

11. Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
At 1 July 2009				
Cost	2,694	62	2,056	4,812
Accumulated depreciation	(1,768)	(37)	(471)	(2,276)
Net book amount	**926**	**25**	**1,585**	**2,536**
Year ended 30 June 2010				
Opening net book amount	926	25	1,585	2,536
Additions	779	11	50	840
Asset disposal	(2)	-	-	(2)
Depreciation charge	(576)	(7)	(412)	(995)
Closing net book amount	**1,127**	**29**	**1,223**	**2,379**
At 30 June 2010				
Cost	3,423	74	2,107	5,604
Accumulated depreciation	(2,296)	(45)	(884)	(3,225)
Net book amount	**1,127**	**29**	**1,223**	**2,379**
Year ended 30 June 2011				
Opening net book amount	1,127	29	1,223	2,379
Acquisition of business	41	-	-	41
Additions	352	19	275	646
Asset disposal	(9)	-	(19)	(28)
Depreciation charge	(667)	(9)	(435)	(1,111)
Closing net book amount	**844**	**39**	**1,044**	**1,927**
At 30 June 2011				
Cost	3,272	93	2,309	5,674
Accumulated depreciation	(2,428)	(54)	(1,265)	(3,747)
Net book amount	**844**	**39**	**1,044**	**1,927**

12. Non-current assets - Deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Doubtful debts	**277**	264
Employee benefits	**922**	822
Expense provisions and accruals	**1,127**	409
	2,326	**1,495**
Movements:		
Opening balance at 1 July	**1,495**	1,137
Credited to the consolidated income statement (note 8)	**831**	358
Closing balance at 30 June	**2,326**	**1,495**
Deferred tax assets to be recovered within 12 months	**1,925**	1,127
Deferred tax assets to be recovered after more than 12 months	**401**	368
	2,326	**1,495**

	Employee benefits $'000	Other $'000	Total $'000
At 1 July 2009	673	464	1,137
Credited to the consolidated income statement	149	209	358
At 30 June 2010	822	673	1,495
At 30 June 2010	822	673	1,495
Credited to the consolidated income statement	100	731	831
At 30 June 2011	922	1,404	2,326

13. Non-current assets - Intangible assets

	Goodwill $'000	Domain names and other $'000	Computer software* $'000	Intangible asset: Database $'000	Total $'000
At 1 July 2009					
Cost	76,373	733	3,080	1,165	81,351
Accumulated amortisation and impairment	-	(290)	(1,434)	(206)	(1,930)
Net book amount	**76,373**	**443**	**1,646**	**959**	**79,421**
Year ended 30 June 2010					
Opening net book amount	76,373	443	1,646	959	79,421
Development costs recognised as an asset	-	-	331	-	331
Additions	-	365	939	-	1,304
Amortisation charge **	-	(177)	(1,004)	(125)	(1,306)
Closing net book amount	**76,373**	**631**	**1,912**	**834**	**79,750**
At 30 June 2010					
Cost	76,373	1,098	4,350	1,165	82,986
Accumulated amortisation and impairment	-	(467)	(2,438)	(331)	(3,236)
Net book amount	**76,373**	**631**	**1,912**	**834**	**79,750**

	Goodwill $'000	Domain names and other $'000	Computer software* $'000	Intangible asset: Database $'000	Total $'000
Year ended 30 June 2011					
Opening net book amount	76,373	631	1,912	834	79,750
Development costs recognised as an asset	-	-	641	-	641
Additions	-	1,502	100	-	1,602
Acquisition of business	1,071	-	5	-	1,076
Amortisation charge **	-	(315)	(1,170)	(117)	(1,602)
Closing net book amount	**77,444**	**1,818**	**1,488**	**717**	**81,467**
At 30 June 2011					
Cost	77,444	2,599	5,027	1,165	86,235
Accumulated amortisation and impairment	-	(781)	(3,539)	(448)	(4,768)
Net book amount	**77,444**	**1,818**	**1,488**	**717**	**81,467**

* Software includes capitalised development costs being an internally generated intangible asset.
** Amortisation is included in other expenses in the income statement.

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment-level summary of the goodwill allocation is presented below.

	Australia $'000	Total $'000
2011		
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	77,444	**77,444**
2010		
Online Advertising	61,223	61,223
Data and Research	15,150	15,150
	76,373	**76,373**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

CGU	Growth rate** 2011 %	Growth rate** 2010 %	Discount rate*** 2011 %	Discount rate*** 2010 %
Online Advertising	**2.5**	2.5	**10.2**	11.6
Data and Research	**2.5**	2.5	**10.2**	11.6

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on approved budgets.

** Weighted average growth rate used to extrapolate cash flows beyond the budget period

*** In performing the value-in-use calculations for each CGU, the company has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows.

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments in which they operate.

No impairment charge has been recognised in the current financial year.

(c) Impact of possible changes in key assumptions

Management do not consider that a reasonable change in any of the key assumptions would lead to impairment.

14. Current liabilities - Payables

	2011 $'000	2010 $'000
Trade payables	**5,635**	3,408
Accrued expenses	**7,723**	6,177
Other payables	**267**	120
	13,625	9,705

Details of relaled party payables are disclosed under note 24.

15. Current liabilities - Provisions

	2011 $'000	2010 $'000
Employee benefits	**2,627**	2,408

16. Current liabilities - Other current liabilities

	2011 $'000	2010 $'000
Deferred advertising services revenue - see note 1(e)	**4,017**	3,325

17. Non-current liabilities - Provisions

	2011 $'000	2010 $'000
Employee benefits	**447**	335

18. Contributed equity

(a) Share capital

	2011 Shares	2010 Shares	2011 $'000	2010 $'000
Ordinary shares				
Fully paid	**234,350,300**	232,490,800	**68,735**	64,384
	234,350,300	232,490,800	**68,735**	64,384

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2009	Opening balance	230,489,134		62,293
July 2009	Exercise of employee options	100,000	$1.75	175
July 2009	Exercise of employee options	125,000	$2.15	269
August 2009	Exercise of employee options	61,666	$0.20	12
August 2009	Exercise of employee options	150,000	$0.70	105
August 2009	Exercise of employee options	550,000	$1.05	578
August 2009	Exercise of employee options	125,000	$1.75	218
September 2009	Exercise of employee options	37,500	$1.05	39
September 2009	Exercise of employee options	10,000	$1.75	17
September 2009	Exercise of employee options	52,500	$2.15	113
September 2009	Issue of ordinary shares	350,000	$3.50	1,225
	Less: Transaction costs arising on share issue			(1,225)
October 2009	Exercise of employee options	10,000	$0.20	2
November 2009	Exercise of employee options	5,000	$1.75	9
November 2009	Exercise of employee options	75,000	$2.15	161
December 2009	Exercise of employee options	45,000	$0.70	31
December 2009	Exercise of employee options	50,000	$1.75	88
January 2010	Exercise of employee options	20,000	$0.70	14
January 2010	Exercise of employee options	30,000	$1.75	53
March 2010	Exercise of employee options	75,000	$0.70	53
March 2010	Exercise of employee options	75,000	$1.05	79
March 2010	Exercise of employee options	30,000	$1.75	52
April 2010	Exercise of employee options	5,000	$1.75	9
May 2010	Exercise of employee options	20,000	$0.70	14
30 June 2010	Balance	**232,490,800**		**64,384**

Date	Details	Number of shares	Issue price	$'000
1 July 2010	Opening balance	232,490,800		64,384
September 2010	Exercise of employee options	10,000	$1.75	18
September 2010	Exercise of employee options	250,000	$3.89	973
November 2010	Exercise of employee options	366,250	$2.15	787
November 2010	Exercise of employee options	218,750	$2.00	438
December 2010	Exercise of employee options	281,250	$2.00	562
December 2010	Exercise of employee options	456,250	$2.15	981
March 2011	Exercise of employee options	5,000	$1.75	9
March 2011	Exercise of employee options	260,000	$2.15	559
May 2011	Exercise of employee options	10,000	$2.15	21
June 2011	Exercise of employee options	2,000	$1.75	3
30 June 2011	Balance	**234,350,300**		**68,735**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 29.

(e) Options

Information relating to the carsales.com Ltd Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 29.

(f) Share buy-back

During May 2011 the carsales.com Ltd Board of Directors approved an on-market share buy-back for up to 23,000,000 ordinary shares over the 12 months from 9th June 2011. As at 30 June 2011, 670,578 shares had been purchased at an average price of $4.60 per share. These shares were held as treasury shares at 30th June 2011 and were cancelled on the 7th July 2011.

(g) Capital risk management

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors its capital on an on-going basis.

The company's capital position at 30 June 2011 and 30 June 2010 are as follows:

	2011 $'000	2010 $'000
Total payables and borrowings	**13,625**	9,705
Less: cash and cash equivalents	**(52,573)**	(30,444)
Net cash and cash equivalents	**(38,948)**	(20,739)
Total equity	**108,746**	88,974

19. Reserves and retained profits

(a) Reserves

	2011 $'000	2010 $'000
Share-based payment reserve	**4,658**	2,978
Foreign currency translation reserve	**(75)**	12
Treasury share reserve	**(3,086)**	-
	1,497	2,990
Movements:		
Share-based payments reserve		
Balance 1 July	**2,978**	1,914
Option expense	**1,680**	1,064
Balance 30 June	**4,658**	2,978
Movements:		
Foreign currency translation reserve		
Balance 1 July	**12**	25
Currency translation differences arising during the year:	**(87)**	(13)
Balance 30 June	**(75)**	12
Movements:		
Treasury share reserve		
Balance 1 July	**-**	-
Share buy-back	**(3,086)**	-
Balance 30 June	**(3,086)**	-

(b) Retained profits

Movements in retained profits were as follows:

	2011 $'000	2010 $'000
Balance 1 July	**21,600**	11,773
Net profit for the year	**58,260**	43,235
Dividends	**(41,346)**	(33,408)
Balance 30 June	**38,514**	21,600

(c) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options issued but not exercised.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 1(d) and accumulated within a separate reserve within equity. The reserve is recognised in profit and loss when the net investment is disposed of.

(iiI) Treasury share reserve

Treasury share reserve consisted of shares bought through the share buy-back but not cancelled at year end.

20. Dividends

(a) Ordinary shares

	2011 $'000	2010 $'000
Final ordinary dividend for the year ended 30 June 2010 of 8.3 cents (2010 - 7.8 cents) per fully paid share paid on 6 October 2010		
Fully franked (2010 - fully franked) based on tax paid @30%	**19,318**	18,065
Interim ordinary dividend for the year ended 30 June 2011 of 9.4 cents (2010 - 6.6 cents) per fully paid share paid on 20 April 2011		
Fully franked (2010 - fully franked) based on tax paid @30%	**22,028**	15,343
Total dividends provided for or paid	**41,346**	33,408
Paid in cash	**41,346**	33,408

(b) Dividends not recognised at year end

	2011 $'000	2010 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10.5 cents per fully paid ordinary share, (2010 - 8.3 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 5 October 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end, is	**24,580**	19,318
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	**18,618**	11,685

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) Franking credits that will arise from the payment of the amount of the provision for income tax.
(b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
(c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

21. Key management personnel disclosures

(a) Directors

The following persons were directors of carsales.com Ltd during the financial year:

(i) Chairman - non-executive

W Pisciotta

(ii) Executive director

G Roebuck

(iii) Non-executive directors

R Collins
P O'Sullivan
I Law (resigned 25/11/2010, re-appointed 21/04/2011)
K Anderson
S Kloss (Alternate)
A MacKenzie (resigned 07/03/2011)
G Brooke (resigned 07/03/2011)
J Browne (resigned 21/04/2011)
D Gyngell (appointed 25/11/2010, resigned 07/03/2011)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

Name	Position	Employer
C McIntyre	Chief Financial Officer, Joint Company Secretary	carsales.com Ltd
D Hardy	General Manager Datamotive & Data Services	carsales.com Ltd
A Saines	Advertising Director	carsales.com Ltd
A Bhatia	Chief Information Officer	carsales.com Ltd
P Barlow	Strategy Director	carsales.com Ltd
S Pettiona (resigned 01/11/2010)	Chief Operating Officer	carsales.com Ltd
G Taylor (full time secondment ended 23/03/2011)	General Manager Non Automotive	Pentana Solutions Pty Ltd

(c) Key management personnel compensation

	2011 $	2010 $
Short-term employee benefits	**3,852,895**	3,201,580
Post-employment benefits	**134,995**	117,100
Share-based payments	**1,348,056**	872,767
Long term employment benefits	**63,059**	98,845
	5,399,005	4,290,292

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 24.

(i) Options holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of carsales.com Ltd and other key management personnel of the company, including their personally related parties, are set out below.

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of carsales.com Ltd							
W Pisciotta	250,000	-	(250,000)	-	-	-	-
R Collins	125,000	-	-	-	125,000	125,000	-
G Roebuck	1,300,000	500,000	(250,000)	-	1,550,000	650,000	900,000
P O'Sullivan*	187,500	-	(187,500)	-	-	-	-
J Browne*	187,500	-	(187,500)	-	-	-	-
I Law*	187,500	-	(187,500)	-	-	-	-
A MacKenzie*	187,500	-	(187,500)	-	-	-	-
S Kloss (Alternate)	37,500	-	(37,500)	-	-	-	-
K Anderson	-	-	-	-	-	-	-
G Brooke	-	-	-	-	-	-	-
D Gyngell	-	-	-	-	-	-	-
Other key management personnel of the Group							
D Hardy	412,500	150,000	(100,000)	-	462,500	-	462,500
G Taylor	412,500	-	(100,000)	-	312,500	-	312,500
C McIntyre	431,250	200,000	(100,000)	-	531,250	-	531,250
S Pettiona#	431,250	-	(100,000)	(331,250)	-	-	-
A Saines	212,500	150,000	-	-	362,500	-	362,500
A Bhatia	177,500	150,000	-	-	327,500	-	327,500
P Barlow	93,750	100,000	-	-	193,750	-	193,750

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of carsales.com Ltd							
W Pisciotta	250,000	-	-	-	250,000	250,000	-
R Collins	250,000	-	(125,000)	-	125,000	125,000	-
G Roebuck	1,300,000	500,000	(500,000)	-	1,300,000	-	1,300,000
P O'Sullivan*	187,500	-	-	-	187,500	187,500	-
J Browne*	187,500	-	-	-	187,500	187,500	-
I Law*	187,500	-	-	-	187,500	187,500	-
A MacKenzie*	187,500	-	-	-	187,500	187,500	-
S Kloss (Alternate)	127,500	-	(90,000)	-	37,500	-	37,500
K Anderson	-	-	-	-	-	-	-
G Brooke	-	-	-	-	-	-	-
Other key management personnel of the Group							
D Hardy	300,000	112,500	-	-	412,500	-	412,500
G Taylor	300,000	112,500	-	-	412,500	-	412,500
C McIntyre	425,000	131,250	(125,000)	-	431,250	-	431,250
S Pettiona	400,000	131,250	(100,000)	-	431,250	-	431,250
A Saines	100,000	112,500	-	-	212,500	-	212,500
A Bhatia	65,000	112,500	-	-	177,500	-	177,500

* The Board of carsales.com Ltd has been advised by the Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) non-executive directors that they have received the share options, provided as remuneration for being on the Board of the company on behalf of ACP Magazines Pty Ltd and any shares received by exercising those options will be owned by ACP Magazines Pty Ltd.

The reduction of share options under 'other changes' were options forfeited upon his resignation.

(ii) Share holdings

The numbers of shares in the company held during the financial year by each director of carsales.com Ltd and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	18,740,347	250,000	289,460	19,279,807
R Collins	1,930,750	-	(599,000)	1,331,750
G Roebuck	7,274,055	250,000	(1,032,604)	6,491,451
S Kloss (Alternate)	2,715,000	37,500	22,000	2,774,500
K Anderson	-	-	10,000	10,000
P O'Sullivan	-	-	-	-
I Law	-	-	-	-
A MacKenzie	-	-	-	-
G Brooke	-	-	-	-
J Browne	-	-	-	-
D Gyngell	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
D Hardy	167,380	100,000	(30,000)	237,380
C McIntyre	167,000	100,000	(134,000)	133,000
G Taylor	4,258,277	100,000	(100,000)	4,258,277
S Pettiona	1,245,714	100,000	-	1,345,714
A Saines	6,000	-	-	6,000
A Bhatia	6,000	-	-	6,000
2010				
Name				
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	37,107,137	-	(18,366,790)	18,740,347
R Collins	3,636,500	125,000	(1,830,750)	1,930,750
G Roebuck	10,414,055	500,000	(3,640,000)	7,274,055
S Kloss (Alternate)	5,191,666	90,000	(2,566,666)	2,715,000
P O'Sullivan	-	-	-	-
I Law	-	-	-	-
K Anderson	-	-	-	-
A MacKenzie	-	-	-	-
G Brooke	-	-	-	-
J Browne	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
D Hardy	400,000	-	(232,620)	167,380
C McIntyre	15,000	125,000	27,000	167,000
G Taylor	8,516,555	-	(4,258,278)	4,258,277
S Pettiona	1,485,714	100,000	(340,000)	1,245,714
A Saines	-	-	6,000	6,000
A Bhatia	-	-	6,000	6,000

(d) Loans to key management personnel

No loans were made to directors of carsales.com Ltd and other key management personnel of the Group, including their personally related parties at any time during the financial year.

(e) Other transactions with key management personnel

(i) Directors of carsales.com Ltd

The following directors: W Pisciotta and G Roebuck are shareholders in Pentana Solutions Pty Ltd. W Pisciotta is also a director of Pentana (G Roebuck resigned as a director prior to the carsales.com Ltd IPO on the 10th of September 2009), which entered into a relationship agreement with carsales.com Ltd in 2010 for the supply of data and services. Under the contract, Pentana supplies data for the exclusive use of carsales.com Ltd in return for a fixed annual payment, plus a percentage of revenues generated through Pentana Solutions. The term of the contract is 5 years from March 2010.

The following director: R Collins is associated with automotive dealerships which utilised the Group's services under terms and conditions no more favourable than dealing with other customers at arm's length in the same circumstances.

The following directors: P O'Sullivan, J Browne, A MacKenzie and G Brooke hold positions of influence in Nine Entertainment Co Pty Limited, which entered into a series of contracts with the Group in October 2005. The contracts require that ACP Magazines Ltd provide a range of services (including advertising sales through its ACP Magazines subsidiary, administrative services and provision of property, plant and equipment) to the Group in return for fixed fees and commissions. The contracts also require that the Group provide certain services to ACP Magazines Ltd in return for fixed fees.

The following directors: P O'Sullivan, J Browne, A MacKenzie and G Brooke hold positions of influence in Nine Entertainment Co Pty Limited, which has a 50% ownership interest in Ninemsn Pty Ltd (9msn). 9msn provides services to the Group including online distribution and marketing, internet hosting and advertising sales in return for commissions and fees.

The transactions relating to the above parties are disclosed under note 24 up until 7th of March 2011, at which date Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) ceased being a related party. All transactions prior to, and after this date were conducted under normal terms and conditions and at market rate.

22. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2011 $	2010 $
(a) PwC Australia		
PwC Australian firm		
Audit and review of financial reports	**177,561**	179,000
Controls and assurance services	**59,148**	34,181
Due diligence services	**161,501**	110,940
Total remuneration for audit and other assurance services	**398,210**	324,121
Taxation services		
Tax compliance services, including review of company income tax returns	**40,000**	46,440
International tax consulting and tax advice on mergers and acquisitions	**49,429**	41,877
Total remuneration for taxation services	**89,429**	88,317
Other services		
Computer software services	**8,299**	4,667
Total remuneration of PwC Australia	**495,938**	417,105

	2011 $	2010 $
(b) Related practices of PwC Australia		
Audit and other assurance services		
Other assurance services		
Legal and other services	**100,000**	28,313
Total remuneration for audit and other assurance services	**100,000**	28,313
(c) Non-PwC audit firms		
Audit and review of financial statements	**7,199**	8,793
Total remuneration for audit and other assurance services	**7,199**	8,793
Taxation services		
Tax compliance services	**26,250**	-
Total remuneration for taxation services	**26,250**	-
Other services		
Due diligence	**17,105**	-
Total remuneration of non-PwC audit firms	**50,554**	8,793
Total auditors' remuneration	**646,492**	454,211

It is the company's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis. It is the company's policy to seek competitive tenders for all major consulting projects.

23. Commitments

(i) Non-cancellable operating leases

The Group leases offices under non-cancellable operating leases expiring within 5 years. Upon renewal date, the company has the option to renew the lease for a further 5 years at terms which are negotiable.

The Group also leases various motor cars under non cancellable operating leases.

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**2,135**	1,907
Later than one year but not later than five years	**1,953**	2,878
	4,088	4,785

24. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 25.

(b) Transactions with other related parties

The following transactions occurred with related parties, the nature of which are described in note 21(e)(i):

	2011 $	2010 $
Sale of goods and services		
Sale of services to related parties	**662,767**	1,045,585
Purchase of goods and services		
Purchases of services from related parties	**5,237,632**	6,635,136

All transactions were made on normal commercial terms and conditions and at market rates.

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2011 $	2010 $
Current receivables (sale of goods and services)		
Other related parties	**116,274**	90,447
Current payables (purchase of goods and services)		
Other related parties	**599,232**	780,336

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

25. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

			Equity holding**	
Name of entity	Country of incorporation	Class of shares	2011 %	2010 %
Webpointclassifieds Pty Ltd*	Australia	Ordinary	**100**	100
Equipment Research Group Pty Ltd*	Australia	Ordinary	**100**	100
Discount Vehicles Australia Pty Ltd*	Australia	Ordinary	**100**	100
Automotive Data Services Pty Ltd*	Australia	Ordinary	**100**	100
Auto Information Limited	New Zealand	Ordinary	**100**	100
Red Book Automotive Services (M) Sdn Bhd	Malaysia	Ordinary	**100**	100
Red Book Automotive Data Services (Beijing) Limited	China	Ordinary	**100**	100
Automotive Data Services (Thailand) Company Limited	Thailand	Ordinary	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

** The proportion of ownership interest is equal to the proportion of voting power held.

26. Events occurring after the reporting period

The company has entered into a long term lease arrangement on a property in Melbourne to which it intends to re-locate its corporate head office before the end of 2011 calendar year.

No other events have occurred after the reporting period.

27. Reconciliation of profit after income tax to net cash inflow from operating activities

	2011 $'000	2010 $'000
Profit for the year	**58,260**	43,235
Depreciation and amortisation	**2,713**	2,301
Loss on sale of assets	**28**	2
Non-cash employee benefits expense - share-based payments	**1,680**	1,064
Net exchange differences	**(87)**	(13)
Change in operating assets and liabilities		
(Increase) in trade debtors	**(2,398)**	(4,048)
(Increase) in deferred tax asset	**(831)**	(358)
(Increase) in other operating assets	**(496)**	(414)
(Decrease) increase in trade creditors	**(859)**	1,308
Increase in other operating liabilities	**2,385**	1,353
(Decrease) increase in provision for income taxes payable	**(490)**	5,517
Increase in other provisions	**331**	498
(Decrease) in liabilities through acquisition	**(88)**	-
Net cash inflow from operating activities	**60,148**	50,445

28. Earnings per share

(a) Basic earnings per share

	2011 Cents	2010 Cents
Profit from continuing operations attributable to the ordinary equity holders of the company	**25.0**	18.6
Total basic earnings per share attributable to the ordinary equity holders of the company	**25.0**	18.6

(b) Diluted earnings per share

	2011 Cents	2010 Cents
Profit from continuing operations attributable to the ordinary equity holders of the company	**24.4**	18.5
Total diluted earnings per share attributable to the ordinary equity holders of the company	**24.4**	18.5

(c) Reconciliations of earnings used in calculating earnings per share

	2011 $'000	2010 $'000
Basic earnings per share		
Profit from continuing operations	**58,260**	43,235
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**58,260**	43,235

(d) Weighted average number of shares used as the denominator

	2011	2010
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**233,462,883**	231,940,939
Adjustments for calculation of diluted earnings per share:		
Options outstanding	**5,621,750**	5,847,500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**239,084,633**	237,788,439

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the carsales.com Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 29.

29. Share-based payments

(a) Employee Option Plan

The establishment of the carsales.com Ltd Employee Option Plan was undertaken under a prospectus lodged with ASIC in 2000. Staff eligible to participate in the plan are those invited by the Board of Directors.

Options are granted under the plan for no consideration with conditions including a vesting period and expiry date.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in return for payment of the option's exercise price.

The exercise price of options is set in advance by the Board of Directors.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2011								
Feb 2007	Nov 2011	$1.05	75,000	-	-	-	75,000	75,000
Jul 2007	Jun 2014	$1.75	110,000	-	(17,000)	-	93,000	93,000
Oct 2007	Oct 2011	$2.15	500,000	-	(500,000)	-	-	-
Oct 2007	Oct 2012	$2.15	1,172,500	-	(592,500)	-	580,000	580,000
Sep 2008	Sep 2012	$2.00	625,000	-	(500,000)	-	125,000	125,000
Sep 2008	Sep 2013	$2.00	1,420,000	-	-	(130,000)	1,290,000	-
Jul 2009	Jul 2014	$2.00	320,000	-	-	(80,000)	240,000	-
Dec 2009	Jun 2014	$3.89	500,000	-	(250,000)	-	250,000	250,000
Mar 2010	Oct 2014	$3.89	1,125,000	-	-	(146,250)	978,750	-
Oct 2010	Oct 2015	$4.90	-	500,000	-	-	500,000	125,000
Mar 2011	Oct 2015	$4.90	-	1,490,000	-	-	1,490,000	237,500
Total			**5,847,500**	**1,990,000**	**(1,859,500)**	**(356,250)**	**5,621,750**	**1,485,500**
Weighted average exercise price			$2.55	$4.90	$2.34	$2.78	$3.44	$3.02

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2010								
Jul 2000	Jul 2010	$0.20	96,666	-	(71,666)	(25,000)	-	-
Jun 2006	Nov 2010	$0.70	210,000	-	(210,000)	-	-	-
Dec 2006	Dec 2011	$0.70	100,000	-	(100,000)	-	-	-
Feb 2007	Nov 2011	$1.05	700,000	-	(625,000)	-	75,000	75,000
Jul 2007	Jun 2014	$1.75	255,000	-	(130,000)	(15,000)	110,000	110,000
Aug 2007	Aug 2012	$1.75	225,000	-	(225,000)	-	-	-
Oct 2007	Oct 2011	$1.05	37,500	-	(37,500)	-	-	-
Oct 2007	Oct 2011	$2.15	625,000	-	(125,000)	-	500,000	500,000
Oct 2007	Oct 2012	$2.15	1,317,500	-	(75,000)	(70,000)	1,172,500	-
Sep 2008	Sep 2012	$2.00	625,000	-	-	-	625,000	625,000
Sep 2008	Sep 2012	$2.15	52,500	-	(52,500)	-	-	-
Sep 2008	Sep 2013	$2.00	1,450,000	-	-	(30,000)	1,420,000	-
Jul 2009	Jul 2014	$2.00	320,000	-	-	-	320,000	-
Dec 2009	Jun 2014	$3.89	-	500,000	-	-	500,000	-
Mar 2010	Oct 2014	$3.89	-	1,125,000	-	-	1,125,000	-
Total			**6,014,166**	**1,625,000**	**(1,651,666)**	**(140,000)**	**5,847,500**	**1,310,000**
Weighted average exercise price			$1.82	$3.89	$1.73	$1.27	$2.55	$2.51

The director's estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2011 is estimated to be approximately $4.71 (2010: approximately $2.90).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.08 years (2010 - 3.09 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2011 ranged between $0.95 and $1.43 per option (2010 - between $0.98 and $2.01). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

(a) Options are granted for no consideration. For vesting dates refer page 22.

(b) Exercise price: $4.90 (2010 - $3.89)

(c) Grant date: October 2010 and March 2011 (2010: December 2009 and March 2010)

(d) Expiry date: October 2015 (2010: June 2014 and October 2014)

(e) Share price at grant date: $4.85 and $5.20 (2010 - $4.03 and $5.45)

(f) Expected price volatility of the company's shares: 34% (2010 - 35%)

(g) Expected dividend yield: 3.6% (2010 - 3.7%)

(h) Risk-free interest rate: 5.21% (2010 - 5.30% and 5.75%)

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $'000	2010 $'000
Options issued under Employee Option Plan	**1,680**	1,064
	1,680	1,064

30. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2011 $'000	2010 $'000
Balance sheet		
Current assets	**41,026**	25,224
Non-current assets	**88,423**	86,102
Total assets	**129,449**	111,325
Current liabilities	**30,992**	27,467
Non-current liabilities	**447**	335
Total liabilities	**31,439**	27,802
Equity		
Contributed equity	**68,735**	64,384
Reserves - share based payments	**1,572**	2,978
Retained earnings	**27,702**	16,161
	98,010	83,523
Profit or loss for the year	**52,887**	41,695
Total comprehensive income	**52,887**	41,695

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

Directors’ declaration & **Auditor’s** report

Directors' declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 40 to 78 are in accordance with the Corporations Act 2001, including:

- (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

Greg Roebuck
Managing Director and CEO
Hawthorn, 16 August 2011

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of carsales.com Ltd

Report on the financial report

We have audited the accompanying financial report of carsales.com Ltd (the company), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the carsales.com group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation

Independent auditor's report to the members of carsales.com Ltd (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of carsales.com Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of carsales.com Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
16 August 2011

Shareholder information

The shareholder information set out below was applicable as at 16 August 2011.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares			
Holding	Shares	Options	Redeemable preference shares	Convertible notes
1 - 1000	**1,290**	-	-	-
1,001 - 5,000	**2,142**	12	-	-
5,001 - 10,000	**521**	5	-	-
10,001 - 100,000	**377**	31	-	-
100,001 and over	**86**	12	-	-
	4,416	60	-	-

There were 96 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
J P Morgan Nominees Australia Limited	45,096,783	19.2
National Nominees Limited	38,335,540	16.4
HSBC Custody Nominees (Australia) Limited	34,287,802	14.6
Walter Pisciotta	19,279,807	8.2
Citigroup Nominees	15,012,904	6.4
Cogent Nominees Pty Limited	14,878,482	6.3
Gregory Paul Roebuck	6,491,451	2.8
Grant Taylor	4,258,277	1.8
UBS Nominees	3,598,841	1.5
Rod Dux	3,100,000	1.3
Geoff Brady	3,000,000	1.3
Steve Kloss	2,774,500	1.2
Peter Aitken	2,756,555	1.2
Bond Street Custodians	2,650,050	1.1
Bill Robinson	2,492,000	1.1
Garry Hoover	1,755,000	0.7
Shane Pettiona	1,345,714	0.6
Richard Collins	1,331,750	0.6
Mr Andrew Gajtan Curmi	1,280,500	0.5
Smallco Investment Manager Ltd (The cut a/c)	1,157,390	0.5
	204,883,346	**87.3**

	Number on issue	Number of holders
Options issued under the carsales.com Ltd Employee Option Plan to take up ordinary shares	5,621,750	60

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Wilson HTM Group Ltd	26,784,046	11.46 %
Walter Pisciotta	19,279,807	8.18 %
Arnhem Investment Management Pty Ltd	17,447,883	7.47 %

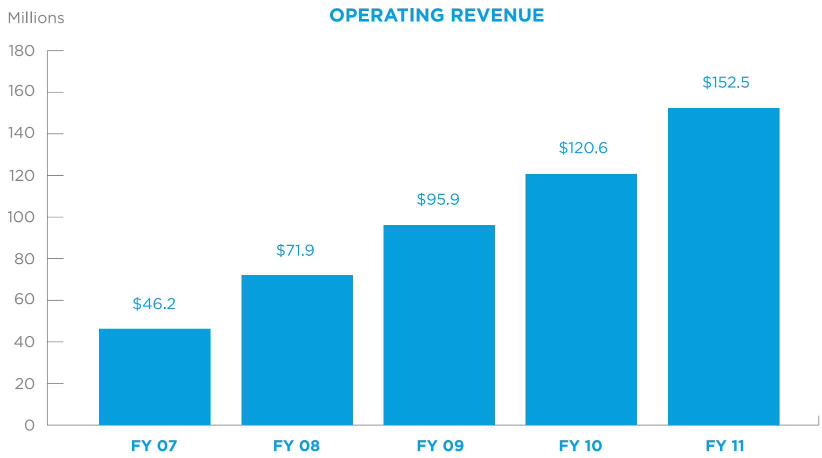
D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

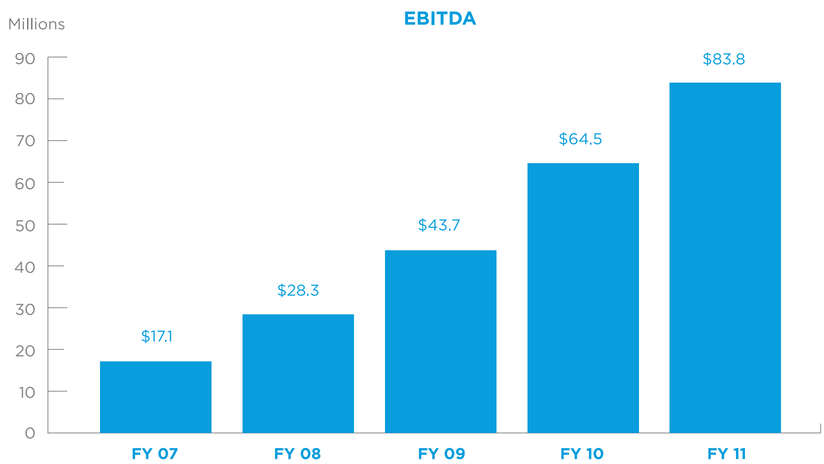
(b) Options
No voting rights.

5 YEAR FINANCIAL REVIEW



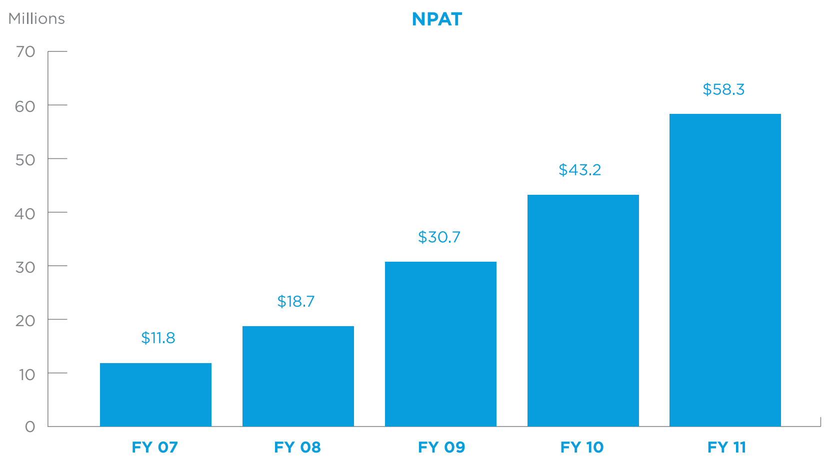
CAGR 34.8%

Continued solid growth in Operating Revenue to $152.5m, up 26% on pcp.



CAGR 48.9%

EBITDA up 30% on pcp to $83.8m

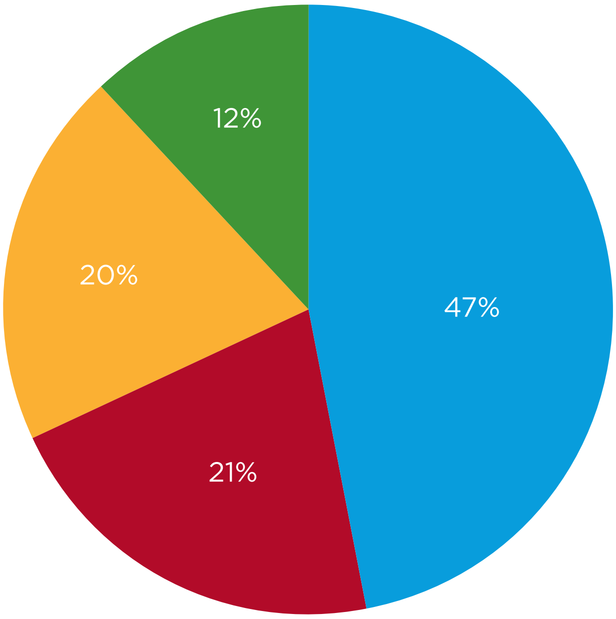


CAGR 49.1%

NPAT up 35% on pcp to $58.3m

REVENUE PERFORMANCE

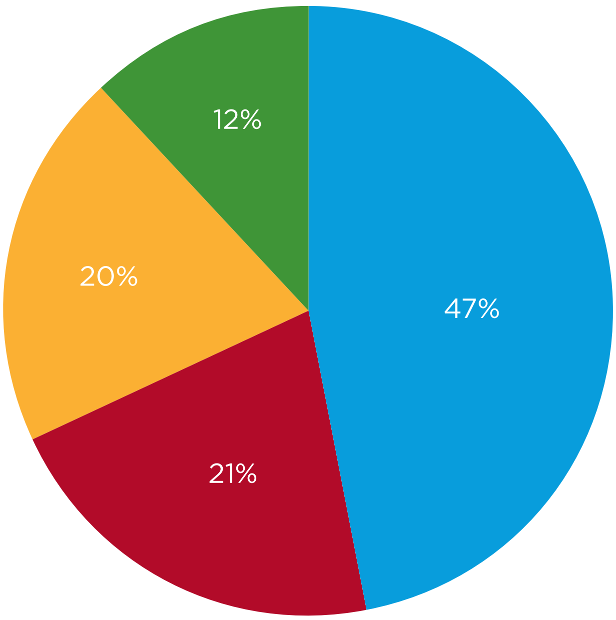
FY2011 REVENUE BREAKDOWN



Dealer | Private | Display | Dealer & Data Services

Note- Dealer includes Cars, Bikes, Marine, Industry and Caravan camping

FY2010 REVENUE BREAKDOWN

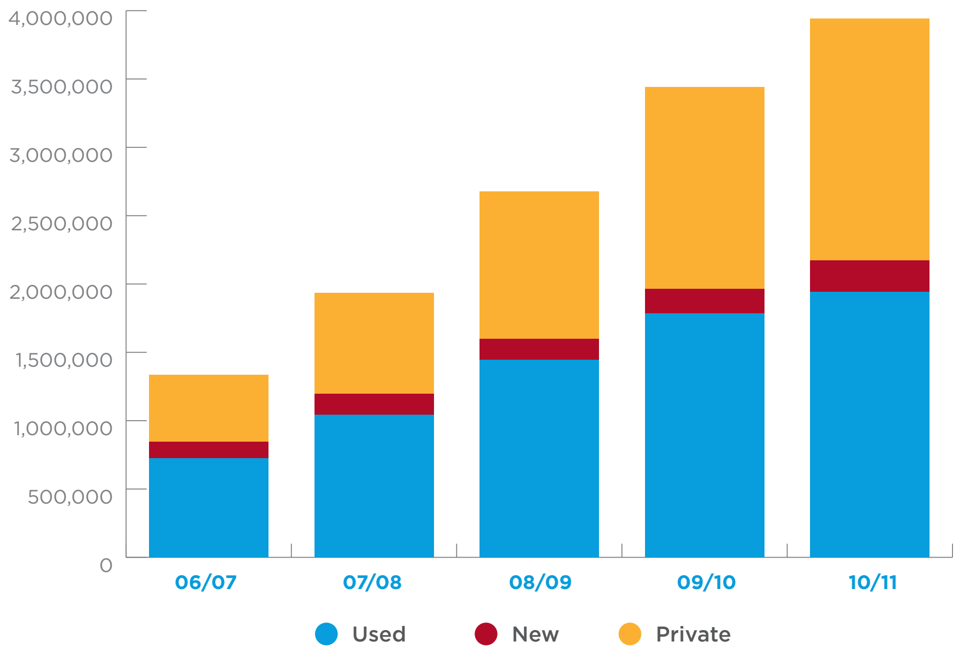


Dealer | Private | Display | Dealer & Data Services

Note- Dealer includes Cars, Bikes, Marine, Industry and Caravan camping

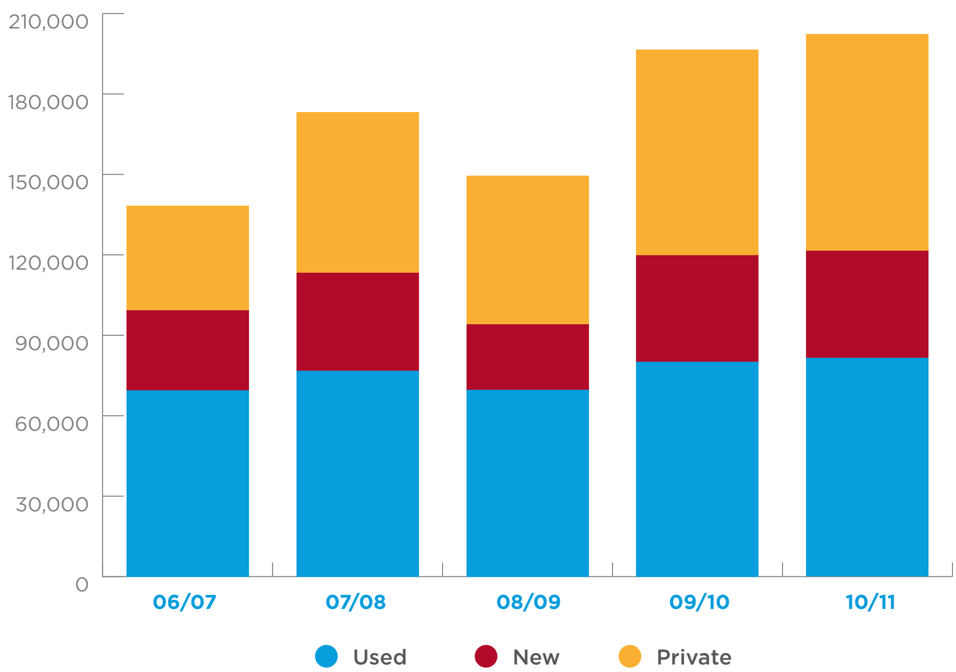
OPERATIONAL METRICS

AUTOMOTIVE ENQUIRY VOLUMES



Automotive enquiry volumes grew 15% on pcp

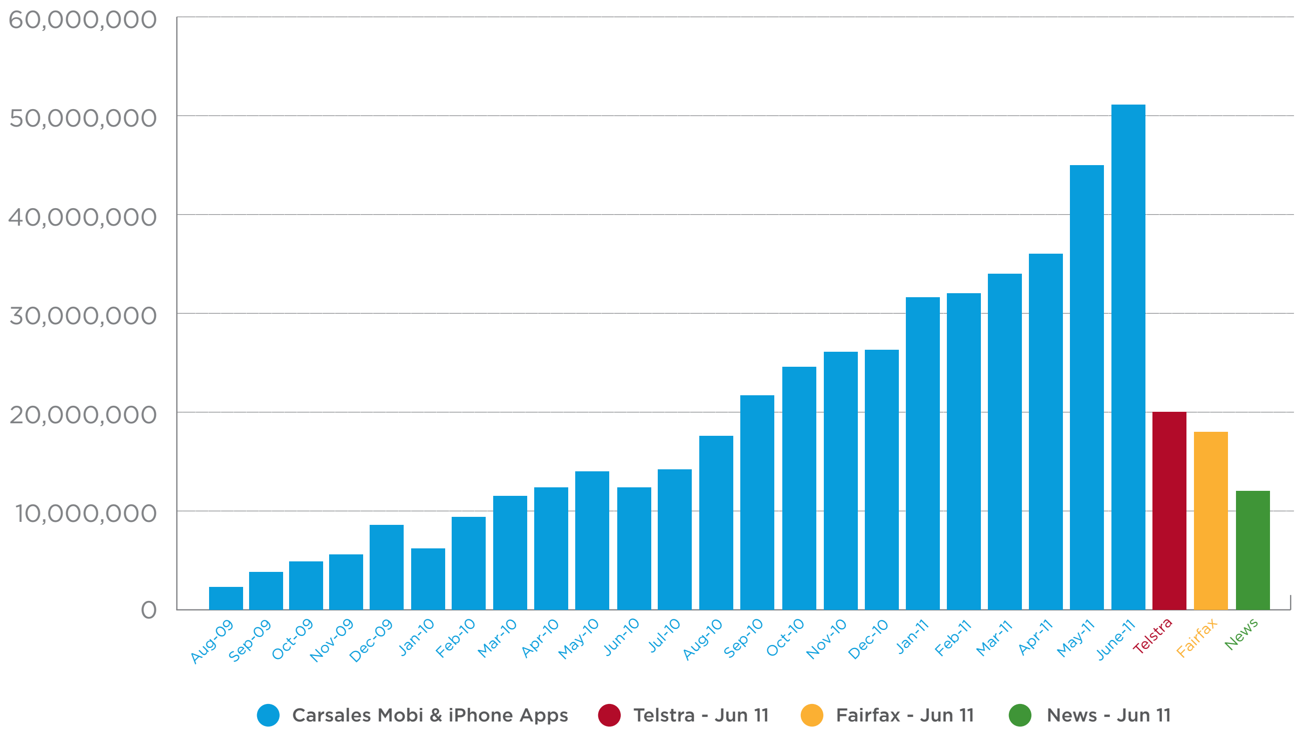
AUTOMOTIVE ENQUIRY VOLUMES



Automotive inventory volumes remained at around 200,000 vehicles.

INDUSTRY LANDSCAPE

PAGE IMPRESSIONS
Mobi & iPhone Apps vs Competitor Desktop Sites**



Page Impressions generated in June 2011 on the .mobi and iPhone applications were similar to those generated by the Fairfax, News Corp and Telstra Automotive Ad Networks desktop sites combined.

*Source: Nielsen Online Market Intelligence, Automotive Ad Networks, Jun 2011 & Jun 2010

** Source: Nielsen Online Site Census, Google Analytics, Nielsen Online Market Intelligence, Automotive Ad Networks (Fairfax, News & Telstra only) Aug 2009 to Jun 2011.

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