

Annual Report 2012

carsales.com Ltd

ABN 91 074 444 018

**Annual report
for the year ended 30 June 2012**

carsales.com Ltd

ABN 91 074 444 018

Full-year ended 30 June 2012

(Previous corresponding period: Full-year ended 30 June 2011)

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Up	21%	to	184,206
Profit from ordinary activities after tax attributable to members	Up	23%	to	71,589
Net profit for the period attributable to members	Up	23%	to	71,589

Dividends / Distributions	Amount per security	Franked amount per security
2011 Final Dividend paid	10.5 cents	10.5 cents
2012 Interim Dividend paid	11.3 cents	11.3 cents
2012 Final Dividend declared	13.2 cents	13.2 cents
2012 Special Dividend declared	6.0 cents	6.0 cents

Record date for determining entitlements to the dividends	11th September 2012
Dividend Payable:	25th September 2012

Net tangible assets

Net tangible assets backing per ordinary share is 20.44 cents (2011: 11.64 cents)

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2012 Financial Report.

carsales.com Ltd ABN 91 074 444 018
Annual report - 30 June 2012

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Corporate directory

Directors

Wal Pisciotta (Chairman)
Greg Roebuck (Managing Director)
Richard Collins (Non-Executive Deputy Chairman)
Ian Law (Non-Executive Director)
Pat O'Sullivan (Non-Executive Director)
Kim Anderson (Non-Executive Director)
Steven Kloss (Alternate Director)

Company Secretary

Cameron McIntyre

Registered Office

Level 4, 449 Punt Road
Richmond Vic 3121

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F: +61 3 9093 8697
W: www.carsales.com.au

Share registry

Computershare Ltd
452 Johnston Street
Abbotsford Vic 3067

T: +61 3 9415 4000
F: +61 3 9473 2500
W: www.computershare.com

External Auditor

PwC Australia
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

Dear Shareholders

The Board is pleased to present to shareholders the carsales.com Ltd's Annual Report for the financial year ending 30 June 2012. Once again we are delighted to be presenting another year of record financial results, maintaining our long-term growth trajectory and continuing to strengthen our strategic position.

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

Revenue from ordinary activities up 21% on previous corresponding period (pcp) from \$152.5m to \$184.2m.

EBITDA up 21% on pcp from \$83.8m to \$101.3m.

EBITDA margins remained constant on pcp at 55%

Net Profit (after tax) up 23% on pcp from \$58.3m to \$71.6m

Operating cash flow up 23% on pcp from \$60.1m to \$74.2m

The Board has declared a fully franked final dividend of 13.2 cents per share, representing 25% growth on last year's final dividend of 10.5 cents.

As part of our ongoing capital management efforts and consistent with our policy of returning excess capital to shareholders, the Board has also declared a fully franked Special Dividend of 6.0 cents per share.

The Special Dividend in no way changes the existing dividend payment policy of the Company, and the Company continues to pursue acquisition opportunities in appropriate markets.

Shareholders will receive a total of 19.2 cents at the time of paying our final 2012 dividend. The dividend payment will have a record date of the 11th of September 2012 and a payment date of the 25th of September 2012.

Earnings Per Share (EPS) of 30.6 cents represents growth of 23% from FY2011 to FY2012. Total dividends for the FY2012 year (including the special dividend of 6.0 cents per share) is 30.5 cents per share. This represents a total dividend pay out ratio of just under 100 percent of earnings for FY2012.

There were a number of key contributing factors in the strong FY2012 performance, the most notable of which being the performance of MediaMotive and the continued evolution of our strategy to build on the core competencies we have in both the automotive and non-automotive marketplaces by developing and expanding our unique product and service offerings.

It is pleasing to see inventory levels returning to normality and stock flowing back into dealerships, after going through the natural disasters in Thailand and Japan last year. Both events had a significant impact on the production and distribution of cars into Australia. New car sales have continued to remain resilient and this is also reflected in the performance of our new car business with enquiry volumes up 23% on pcp.

carsales.com Ltd continues to be well positioned for the future. We have many, many things we are working on today to support our future. We continue to build and evolve new and existing products. We have several sites that are attracting more business focus and showing great potential. We continue to search for acquisition opportunities that will enable us to extend and/or reinforce our core capabilities and we continue to evolve our people and culture.

Looking forward to the next financial year we are once again in great shape to meet any of the new challenges that may come our way.

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

I want to again thank Greg Roebuck and his team, for doing all that they have done this year. Their dedication, hard work and commitment to carsales shows not just in our financial performance but in everything that makes carsales.com Ltd a great business.



Wal Pisciotto
Chairman
14 August 2012

Dear Shareholders

FY2012 has seen a huge number of highlights and achievements for the business and I'm very proud to once again be providing you such a positive update on the performance of carsales.com Ltd.

There are a number of key operating businesses within the broader business and I'd like to update you on a few of them:

MediaMotive - *responsible for display advertising across our network*

Once again, the MediaMotive business has delivered fantastic growth. The team itself is now quite substantial with Sydney and Melbourne being the main hubs. With the Internet the clear choice for consumers looking to buy or sell cars, motorbikes, trucks, boats, machinery and a host of other categories and the carsales.com business market leaders in each of these; it's no wonder that display advertisers are shifting their marketing dollars to where the audience is. Our editorial resource is now the envy of the "traditional media" publishers and is delivering insightful, quality content that also attracts substantial display advertising.

Private Seller - *the marketplace for consumers wanting to sell their cars; bikes etc.*

Across the range of verticals we operate, the private seller part of our business has performed well. The core category of cars was flatter this year as we protected our strong market leading position. By holding prices relatively consistent, we've seen little to no impact as competitors have desperately tried to gain share.

Dealer - *the commercial seller part of the business includes car dealers; boat dealers etc.*

Similarly to our Private Seller area, we've focussed this year on ensuring our strong market leading position is maintained and not looked to grow yield. We're pleased to report that even with a substantial effort by a recapitalised competitor, we've seen effectively no impact.

Quicksales - *"sell anything - for free!"*

This part of the business has ramped up significantly in the last 12 months. With over 1.1million items for sale, a complete new site design and content from across the carsales network, it's going to be a great year for this part of the business.

DataMotive - *provides data and services to (predominantly) our dealer customers*

Another strong year from this part of the business with highlights from a number of key products: LiveMarket - a pricing and stocking analytics tool that helps dealers buy and price their stock to suit the market; Video - intelligent, automated video production helps dealers get their inventory to stand out; CarFacts - a vehicle history information service to provide information on a vehicle's prior odometer readings etc. CarFacts currently delivers most revenue to the Private Seller part of the business with the dealer version currently rolling out.

Technology - *the powerhouse that sits behind the scenes.*

With over 25% of our staff a part of the technology team, it's the single largest group within carsales.com Ltd. It's no wonder we're able to deliver world leading solutions across such a wide range of areas. The list of products released would fill this annual report - but some highlights: new carsales homepage including search by category and lifestyle; high resolution photo gallery; new *PriceAssist* tool - which is the consumer version of LiveMarket; video for both dealers and consumers; and a world first just released: *DealerDirect* - a way for consumers to get trade-in offers from potentially hundreds of dealers.

To accommodate our continued growth, we've once again moved our head office operations. We now have over 5,000 square metres of office with room to grow for the foreseeable future. At just under 400 staff in total and over 300 in our Richmond, Victoria office we are in a great position to support continued growth.

In closing, some FY2012 "million" milestones: over a million downloads of our mobile apps; over a million items for sale on our Quicksales site and very importantly: over 100 million dollars of EBITDA!

We have a great business full of talented, committed, passionate people. I am extremely proud of all of them and the world class services they provide. Without them, we would not be the great business we are and I thank each and every one of them.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Roebuck', with a stylized flourish at the end.

Greg Roebuck
Managing Director and CEO
14 August 2012

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2012.

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 (Chairman)
 Greg Roebuck (Managing Director)
 Richard Collins (Non-Executive Deputy Chairman)
 Ian Law (Non-Executive Director)
 Pat O'Sullivan (Non-Executive Director)
 Kim Anderson (Non-Executive Director)
 Steven Kloss (Alternate Director)

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:

	2012	2011
	\$'000	\$'000
Final fully franked cash dividend for the year ended 30 June 2011 of 10.5 cents (2010 - 8.3 cents) per fully paid share paid on 5 October 2011.	24,630	19,318
Interim fully franked ordinary dividend for the year ended 30 June 2012 of 11.3 cents (2011 - 9.4 cents) per fully paid share paid on 11 April 2012	26,405	22,028
	51,035	41,346

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of both a final ordinary dividend of \$30,866,000 (13.2 cents per fully paid ordinary share) and a special dividend of \$14,021,000 (6.0 cents per fully paid ordinary share), both to be paid on 25th September 2012 out of retained profits at 30 June 2012.

Review of operations

During the year the Group generated gross revenues of \$185,528,000 (2011: \$153,497,000). Profit after tax was \$71,589,000 (2011: \$58,260,000). 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

No other matter or circumstance has arisen since 30 June 2012 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 any significant environmental regulation in respect of its activities.

Information on directors

Wal Pisciotta (Non-Independent Non-Executive Chairman)

Appointed: 25 June 1996

Experience and expertise

Wal has over 35 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 or performance rights held over ordinary shares in carsales.com Ltd.

Greg Roebuck (Managing Director)

Appointed: 25 June 1996

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

6,559,168 ordinary shares held in carsales.com Ltd.

1,492,600 options and 83,909 performance rights held over ordinary shares in carsales.com Ltd.

Richard Collins (Independent Non-Executive Deputy Chairman)

Appointed: 17 July 2000

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, Subaru, Suzuki, and Isuzu Franchises. Richard holds a Bachelor of Commerce Degree from Melbourne University.

Interests in shares and options

1,236,750 ordinary shares held in carsales.com Ltd.

No options or performance rights held over ordinary shares in carsales.com Ltd.

Pat O'Sullivan (Independent Non-Executive Director)

Appointed: 29 June 2007

Experience and expertise

Pat was the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) a position he held from February 2006 before resigning on the 29th June 2012. Before that, Pat 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. Pat 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 served as a Director and Company Secretary of Nine Entertainment Co Pty Limited, Chairman of Ninemsn, and is still a Director on the Board of iSelect Limited.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.

No options or performance rights held over ordinary shares in carsales.com Ltd.

Information on directors (continued)

Ian Law (Independent Non-Executive Director)

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 or performance rights held over ordinary shares in carsales.com Ltd.

Kim Anderson (Independent Non-Executive Director)

Appointed: 16 June 2010

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, and 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 or performance rights held over ordinary shares in carsales.com Ltd.

Steve Kloss (Alternate Non-Executive Director)

Appointed: 28 October 2005

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 or performance rights held over ordinary shares in carsales.com Ltd.

Company Secretary

Cameron McIntyre is appointed to the role of Company Secretary and is the Chief Financial Officer of carsales.com Ltd. Cameron is the former Finance Director of Sensis and has over 18 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practising Accountant, an Associate Fellow of the Australian Institute of Management and a graduate of the Harvard Business School's General Management Program.

Interests in shares and options

193,000 ordinary shares held in carsales.com Ltd.

593,001 options and 44,514 performance rights held over ordinary shares in carsales.com Ltd.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2012 and the numbers 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 to October 2011)	17	17	**	**	2	2
G Roebuck	17	17	3	3	**	**
R Collins (Chairman - Remuneration and Nomination from October 2011)	16	17	3	3	1	2
I Law (Chairman - Audit and Risk management from July 2011)	16	17	3	3	1	2
P O'Sullivan	16	17	3	3	**	**
K Anderson	16	17	3	3	**	**
S Kloss (Alternate Director)	14	17	**	**	**	**

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.

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, 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.

Remuneration report (continued)

Principles used to determine the nature and amount of remuneration (continued)

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 and nomination 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 Managing 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 21st of October 2009.

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.

During the year ended 30 June 2012 the non-executive directors received a 9.3% increase in their annual fees, effective from 1 April 2012. The 9.3% represents over 2 years of CPI increases, dating back to November 2009, to account for an absence of increases over that period.

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 from time to time 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 executive's 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.

Remuneration report (continued)

Principles used to determine the nature and amount of remuneration (continued)

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.

The Remuneration and Nomination Committee regularly considers appropriate targets and key performance indicators (KPI's) 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.

The KPI's linked to STI plans contain 3 major components:

- Financial performance: This includes both company wide, and relevant business unit pre-determined financial targets, both revenue and earnings.
- Project delivery: This involves the execution of pre-determined project targets. This could involve product roll-outs, management of business relocation projects, etc.
- People & culture: Key executives are measured against staff development and retention targets as well as on their relevant department's annual Employee Opinion Survey results.

The Remuneration and Nomination Committee is responsible for assessing whether the KPI's are met and whether or not STI's 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.

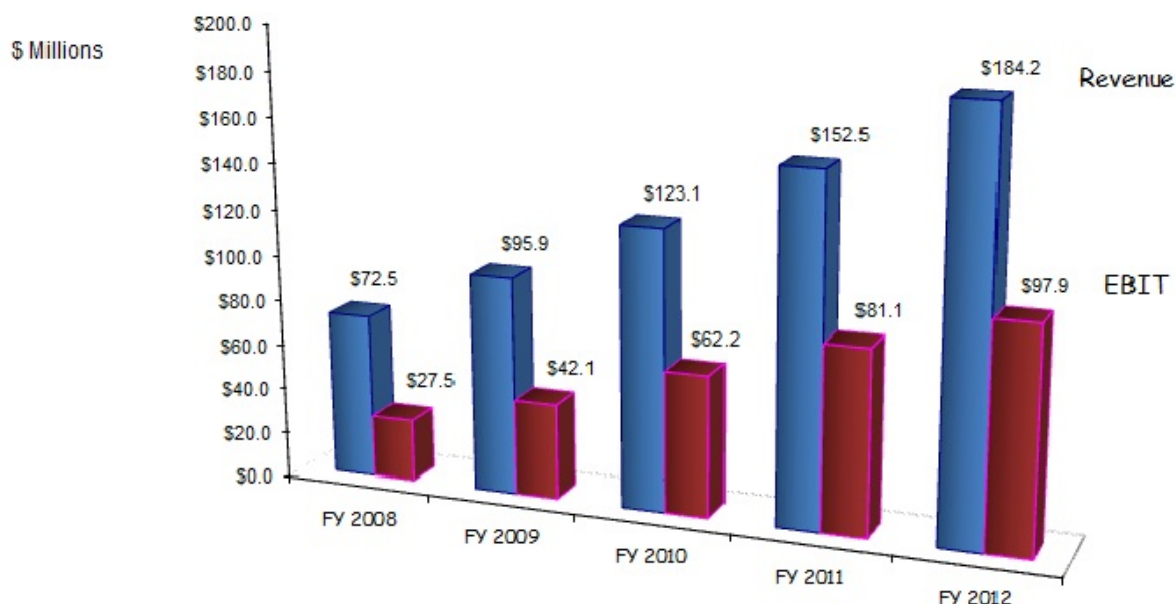
Key executives that leave during the financial year are paid a pro-rata share of their STI entitlements unless their departure is under adverse conditions.

Long-term incentives (LTI)

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

Remuneration report (continued)
Group Performance

The graph below shows the Group's profitability (Revenue and EBIT) over 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 2008 Cents	FY 2009 Cents	FY 2010 Cents	FY 2011 Cents	FY 2012 Cents
Earnings per share (basic)	8.2	13.3	18.6	25.0	30.6

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. LTI's are dependent on the satisfaction of EPS and employment conditions as set out in the section headed "Share-based payments" later in the report. 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 pages 10 -11 above) and those executives that report directly to the Managing Director being:

- Cameron McIntyre
 - Damian Hardy
 - Anthony Saines
 - Ajay Bhatia
 - Paul Barlow
- Chief Financial Officer, Company Secretary
Dealer & Data Services Director
Commercial Director
Chief Information Officer
Strategy Director

Remuneration report (continued)

Details of remuneration (continued)

Amounts of remuneration (continued)

Key management personnel

Key management personnel have service agreements determining base salary, performance based cash bonuses and participation in the Company Employee Option Plan. They have no fixed employment terms and no special termination payment conditions. All agreements provide for dismissal due to gross misconduct. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

	G Roebuck	C McIntyre	A Bhatia	A Saines	P Barlow	D Hardy
	Managing Director	Chief Financial Officer	Chief Information Officer	Commercial Director	Strategy Director	Dealer & Data Services Director
Base Salary *	\$874,359	\$484,225	\$349,225	\$333,070	\$314,225	\$273,070
Participation in cash bonus plans	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan
Participation in LTI plans	Performance Rights and Options Plan	Performance Rights and Options Plan	Performance Rights and Options Plan	Performance Rights and Options Plan	Performance Rights and Options Plan	Performance Rights and Options Plan
Termination notice period	6 month by either party	6 month by either party	3 month by either party	6 month by either party	6 month by either party	6 month by either party
Non-compete period	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party

* Base Salary (excluding superannuation) as at 30 June 2012. Key management personnel received a salary increase on 1 July 2011.

Remuneration report (continued)
Details of remuneration (continued)
Amounts of remuneration (continued)
Key management personnel of the group

2012	Short-term employee benefits		Non-monetary benefits	Post-employment benefits Super-annuation	Long-term benefits Long service leave	Share-based payments		Total
	Cash salary and fees	Cash bonus				Options	Performance rights	
Name	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
Wal Pisciotta	126,310	-	-	-	-	-	-	126,310
Richard Collins	87,502	-	-	7,875	-	-	-	95,377
Pat O'Sullivan	84,334	-	-	7,590	-	-	-	91,924
Ian Law	76,798	-	-	6,912	-	-	-	83,710
Kim Anderson	78,042	-	-	7,024	-	-	-	85,066
Steve Kloss (Alternate)	38,666	-	-	-	-	-	-	38,666
Sub-total non-executive directors	491,652	-	-	29,401	-	-	-	521,053
Executive director								
Greg Roebuck	874,359	500,000	-	15,775	59,099	379,040	154,026	1,982,299
Other key management personnel and executives (Group)								
Cameron McIntyre	484,225	200,000	-	15,775	8,296	334,618	81,610	1,124,524
Damian Hardy	273,070	70,059	-	16,930	7,318	240,135	40,194	647,706
Anthony Saines	333,070	271,015	-	16,930	5,250	243,443	51,006	920,714
Ajay Bhatia	349,225	79,699	-	15,775	5,158	225,633	36,112	711,602
Paul Barlow	314,225	75,045	-	15,775	4,354	167,432	26,729	603,560
Total key management personnel compensation (Group)	3,119,826	1,195,818	-	126,361	89,475	1,590,301	389,677	6,511,458

Remuneration report (continued)
Details of remuneration (continued)
Amounts of remuneration (continued)

2011	Short-term employee benefits		Non-monetary benefits	Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus		Super-annuation	Long service leave		
Name	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Wal Pisciotta	122,500	-	-	-	-	-	122,500
Richard Collins	84,862	-	-	7,638	-	-	92,500
Pat O'Sullivan	22,753	-	-	2,048	-	-	24,801
Ian Law	7,298	-	-	657	-	-	7,955
Kim Anderson	78,842	-	-	7,096	-	-	85,938
Steve Kloss (Alternate)	37,500	-	-	-	-	1,721	39,221
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
Damian Hardy	276,405	58,000	-	24,876	12,495	172,426	544,202
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
Shane Pettiona (from 01/07/2010 to 01/11/2010)	116,327	-	-	8,453	-	123,729	248,509
Grant Taylor (from 01/07/2010 to 23/03/2011)*	119,736	50,000	-	-	-	109,177	278,913
Total key management personnel compensation (Group)	2,751,095	1,101,800	-	134,995	63,059	1,348,056	5,399,005

* 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.

Remuneration report (continued)
Details of remuneration (continued)
Amounts of remuneration (continued)

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

Name	Fixed remuneration		At risk - STI		At risk - LTI *	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
Directors of carsales.com Ltd						
Wal Pisciotta	100	100	-	-	-	-
Greg Roebuck	46	48	24	30	30	22
Richard Collins	100	100	-	-	-	-
Pat O'Sullivan	100	100	-	-	-	-
Ian Law	100	100	-	-	-	-
Kim Anderson	100	100	-	-	-	-
Steve Kloss	100	96	-	-	-	4
Other key management personnel of the Group						
Cameron McIntyre	44	49	18	25	38	26
Damian Hardy	45	55	11	11	44	34
Anthony Saines	38	45	29	29	33	26
Ajay Bhatia	51	57	11	14	38	29
Paul Barlow	55	54	12	19	33	27

* Since the long-term incentives are provided exclusively by way of options and performance rights, the percentages disclosed reflects the value of remuneration consisting of options and performance rights, based on the value expensed during the year.

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 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 are shown earlier in this note.

All executives have on-going terms of agreement with the Group. Agreements can be terminated on the basis of performance, long-term illness or otherwise by agreement.

Employee Share Trust

In July 2011 carsales.com Ltd established an Employee Share Trust (EST) to oversee the administration of all current and future share option and performance rights plans. The Trustee of the EST is Computershare Plan Manager Pty Ltd.

As well as streamlining administration of the plans, the structure enables the Trustee to buy carsales.com Ltd shares on market, or issue new carsales shares for delivery to employees exercising vested share options or performance rights. The establishment of the EST does not have any negative change to the rights of employees in the various plans, or on shareholders.

Remuneration report (continued)

Share-based compensation

Options and performance rights

Options and performance rights 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 and performance rights under this plan are issued for no cash consideration. Options and performance rights are issued subject to vesting rules and expiry periods. Options and performance rights vest on fixed dates provided that employment has not been terminated, and for senior executives, when EPS targets have been achieved.

EPS targets relating to Senior Executive options and performance rights, together with the Company's actual achievement are as follows:

Grant	Vesting Date	Minimum Entitlement		Maximum Entitlement		Actual Achieved	
		% payable	EPS target	% payable	EPS target	% payable	EPS
Year ending 30 June 2011	Aug-11	50%	0.224	100%	0.235	100%	0.250
	Aug-12	50%	0.264	100%	0.278	100%	0.306
Year ending 30 June 2012	Aug-12	50%	0.282	100%	0.296	100%	0.306

The exercise price of each option is fixed by the Board of Directors when the options and performance rights are issued. Amounts received on the exercise of options are recognised as share capital. The performance rights have a \$0 price and are converted to shares when all vesting conditions have been met. Options and performance rights granted under the plan carry no dividend or voting rights.

Senior executives who leave the Company have 30 days from their date of departure to exercise any vested options they may be holding unless such departure is under adverse conditions. In exceptional circumstances, and at the Board's discretion, senior executives may be allowed to exercise unvested options in future periods when they vest.

Alignment of Managing Director and senior executive employees

Options and performance rights issued to the Managing Director contain the same terms, conditions and performance targets as those issued to senior executive employees, with the exception of the FY2010 Award (see details below).

The Company has each year also used its Long Term Incentive plan to issue options and performance rights to a select number of key staff members to support retention of talent. These awards are not linked to particular performance targets and vest three years from the grant date.

Since listing on the ASX in September 2009 the Board has reviewed a number of different incentive structures that align the terms and performance target methodologies with those of respected peers in our sector, as well as the interests of shareholders in ensuring management are incented to deliver high performance outcomes over the long term.

The Company has historically selected EPS to be the most appropriate target on which to apply its long term incentive program. The rationale for this choice has been as a result of having only a small pool of relevant peers, being other ASX listed online businesses, and the lack of liquidity in the stock of both the Company until March 2011 and some appropriate peers.

Remuneration report (continued)

Share-based compensation (continued)

The following award details are outlined for all grants made since the listing of the Company on the ASX in September 2009.

FY2010 Award (Issue dates 17th December 2009 Managing Director, 25th March 2010 senior executive employees)

500,000 options were issued to the Managing Director on the 17th December 2009 with an exercise price of \$3.89 and a vesting period of one year. These options were approved by shareholders at the AGM held on the 21st of October 2009.

A one year vesting period was determined in this instance to be appropriate as the Company had listed on the ASX only a month earlier in September and the Board had not had the opportunity leading up to the AGM to consider the appropriate incentive structure for the Managing Director in a post ASX listed environment.

1,125,000 options were issued to senior executive and several other select employees on the 25th March 2010 with an exercise price of \$3.89 and a three year vesting period.

Both the Managing Director and senior executive employees' options vested on the achievement of an EPS target, which was set in excess of the projected EPS contained in the Company Prospectus and tested as at 30th June 2010.

The expiry date of this award is five years from the grant date.

FY2011 Award (Issue dates 26th October 2010 Managing Director, 25th March 2011 senior executive employees)

500,000 options were issued to the Managing Director on the 26th of October 2010, with an exercise price of \$4.90. These options were approved by shareholders at the AGM held on the 26th of October 2010.

The options will vest over a three year period at the following times:

- 25% with a testing date 30 June 2011, exercisable after the Board released the 2011 Annual Report to the ASX.
- 25% with a testing date 30 June 2012, exercisable after the Board releases the 2012 Annual Report to the ASX.
- 50% with a testing date 30 June 2013, exercisable after the Board releases the 2013 Annual Report to the ASX.

The 25/25/50% split was adopted for this award as the Company had observed the approval by shareholders and successful use of this structure by peers, and was comfortable with the significant majority of the award vesting in years 2 and 3.

Minimum and maximum EPS targets for the options have been set for each of the 3 years of the vesting periods. The target for the third year, namely the period ending 30 June 2013, has been set at a minimum aggregate growth rate over the three year period of 31.4% and a maximum aggregate growth rate over the three year period of 37.0%.

In setting EPS targets for this, and the FY2012 award the Company has used a combination of both its tactical budget (Annual Budget), its strategic plan (3 year plan) and market consensus over the vesting period to construct the aggregate EPS growth rate. This is to ensure that in order for a tranche to vest at a minimum the market earnings expectation must be met.

Options will be capable of exercise in tranches if, at the relevant testing date, the EPS target for the relevant period has been achieved or exceeded as follows:

- If the EPS achieved is equal to the minimum target, 50% of the vested options will be capable of exercise.
- If the EPS achieved is equal to or exceeds the maximum target, 100% of the vested options will be capable of exercise.

Remuneration report (continued)

Share-based compensation (continued)

- If the EPS achieved is between the minimum and maximum targets, vested options will be capable of exercise on a pro-rata basis between 50% and 100%.

1,490,000 options were issued to senior executives and several other select employees on the 25th March 2011. The award to the Senior Executives was on the same terms as those of the Managing Director. The expiry date of this award is five years from the grant date.

FY2012 Award (Issue date 26th October 2011 Managing Director, and senior executive employees)

342,600 options and 83,909 performance rights were issued to the Managing Director on the 26th of October 2011, with an exercise price of \$4.69 for employee share options and \$0.00 for performance rights. These options were approved by shareholders at the AGM held on the 26th of October 2011.

In addition, 716,100 options and 175,385 performance rights were issued to senior executives on the 26th October 2011, with an exercise price of \$4.69 for employee share options and \$0.00 for performance rights, and with the same conditions as those of the Managing Director.

Subject to the performance conditions being satisfied, options and performance rights may, unless otherwise waived by the Board, be exercised as follows:

- 25% with a testing date 30 June 2012 (Year 1), exercisable after the Board releases the 2012 Annual Report to the ASX.
- 25% with a testing date 30 June 2013 (Year 2), exercisable after the Board releases the 2013 Annual Report to the ASX.
- 50% with a testing date 30 June 2014 (Year 3), exercisable after the Board releases the 2014 Annual Report to the ASX.

Attributable options and performance rights which have not achieved the EPS target on the applicable testing date:

- in Year 1, will be carried forward to the testing date for Year 2,
- in Year 2, will be carried forward in aggregate to the testing date for Year 3,
- in Year 3, will lapse.

Minimum and maximum EPS targets for the options and performance rights have been set for each of the 3 years of the vesting period. The target for the third year, namely the period ending 30 June 2014, has been set at a minimum aggregate growth rate over the three year period of 24.6% and a maximum aggregate growth rate over the three year period of 29.9%.

Options and performance rights will be capable of exercise in tranches if, at the relevant testing date, the EPS target for the relevant period has been achieved or exceeded as follows;

- If the EPS achieved is equal to the minimum target, 50% of the vested options and performance rights will be capable of exercise.
- If the EPS achieved is equal to or exceeds the maximum target, 100% of the vested options and performance rights will be capable of exercise.
- If the EPS achieved is between the minimum and maximum targets, vested options and performance rights will be capable of exercise on a pro-rata basis between 50% and 100%.

216,005 options and 68,873 performance rights were issued to several other select employees on the 25th March 2012.

The expiry date of this award is five years from the grant date.

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

Remuneration report (continued)
Share-based compensation (continued)

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value at grant date	% Vested	Performance achieved
February 2007	November 2008	November 2011	\$1.05	\$0.40	100	Yes
July 2007	June 2009	June 2014	\$1.75	\$0.55	100	Yes
October 2007	October 2010	October 2012	\$2.15	\$0.41	100	Yes
September 2008	September 2009	September 2012	\$2.00	\$0.16	100	Yes
September 2008	September 2011	September 2013	\$2.00	\$0.21	100	Yes
July 2009	September 2012	July 2014	\$2.00	\$0.36	N/A	To be determined
Dec 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	August 2011	October 2015	\$4.90	\$0.95	100	Yes
October 2010	August 2012	October 2015	\$4.90	\$1.16	N/A	To be determined
October 2010	August 2013	October 2015	\$4.90	\$1.32	N/A	To be determined
March 2011	August 2011	October 2015	\$4.90	\$1.11	100	Yes
March 2011	August 2012	October 2015	\$4.90	\$1.29	N/A	To be determined
March 2011	August 2013	October 2015	\$4.90	\$1.44	N/A	To be determined
March 2011	October 2013	October 2015	\$4.90	\$1.44	N/A	To be determined
October 2011	August 2012	October 2016	\$4.69	\$0.96	N/A	To be determined
October 2011	August 2013	October 2016	\$4.69	\$1.10	N/A	To be determined
October 2011	August 2014	October 2016	\$4.69	\$1.19	N/A	To be determined
October 2011	August 2012	October 2016	\$0.00	\$4.73	N/A	To be determined
October 2011	August 2013	October 2016	\$0.00	\$4.54	N/A	To be determined
October 2011	August 2014	October 2016	\$0.00	\$4.36	N/A	To be determined
March 2012	October 2014	October 2016	\$4.69	\$1.39	N/A	To be determined
March 2012	October 2014	October 2016	\$0.00	\$4.35	N/A	To be determined

\$0.00 exercise price represents performance rights.

Remuneration report (continued)

Share-based compensation (continued)

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. Performance rights will automatically be converted to one ordinary share upon the vesting date provided the holder complies with the rules of carsales.com Ltd Employee Option Plan.

Options and performance rights not exercised expire where (a) the expiry date applicable to the option or performance right is reached, (b) the employee ceases to be employed by carsales.com Ltd or their employment is terminated, (c) where EPS vesting conditions are not met, 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 and performance rights 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 and performance rights is set out in note 29 to the financial statements.

Name	Number of options granted during the year 2012	Number of performance rights granted during the year 2012	\$ Value of options at grant date 2012	\$ Value of performance rights at grant date 2012	Number of options vested during the year 2012
Executive director					
G Roebuck	342,600	83,909	376,999	377,001	525,000
Other Key management personnel and executives (Group)					
C McIntyre	181,751	44,514	200,000	200,000	170,000
D Hardy	89,512	21,923	98,500	98,500	157,500
A Saines	113,594	27,821	125,000	125,000	137,500
A Bhatia	80,425	19,697	88,500	88,500	102,500
P Barlow	59,524	14,578	65,500	65,500	25,000

Shares provided on exercise of remuneration options

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

Remuneration report (continued)
Share-based compensation (continued)

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year 2012	Value at exercise date* 2012
Directors at carsales.com Ltd.			
G Roebuck	March 2012	400,000	1,180,000
R Collins	August 2011	125,000	376,250
Other key management personnel and executives (Group)			
C McIntyre	December 2011	120,000	342,000
D Hardy	September 2011	120,000	316,800
A Saines	September 2011	100,000	264,000
A Bhatia	September 2011	65,000	176,150

* 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 and performance rights at the date of exercise were as follows:

Exercise date	Amount paid per share
August 2011	\$2.00
September 2011	\$2.00
December 2011	\$2.00
March 2012	\$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 and performance rights, 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 and performance rights are detailed above. No options and performance rights will vest if the conditions are not satisfied, hence the minimum value of the options and performance rights yet to vest is nil. The value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

Name	Bonus		Share-based compensation benefits (options and performance rights)					
	Paid %	Forfeited %	Financial year granted	Vested %	Forfeited %	Financial years in which grant may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
G Roebuck	143	-	2009	100	-		-	-
			2011	-	-	2013*		13,156
			2011	-	-	2014*	-	135,928
			2011	100	-		-	-
			2012	-	-	2013*	-	37,700
			2012	-	-	2014*	-	119,953
			2012	-	-	2015*	-	288,295

Remuneration report (continued)
Share-based compensation (continued)
Report (continued)

Name	Bonus		Share-based compensation benefits (options and performance rights)					
	Paid	Forfeited	Financial year granted	Vested	Forfeited	Financial years in which grant may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
C McIntyre	200	-	2009	100	-	-	-	-
			2010	-	-	2013	-	35,451
			2011	-	-	2013*	-	7,605
			2011	-	-	2014*	-	69,323
			2011	100	-	-	-	-
			2012	-	-	2013*	-	21,572
			2012	-	-	2014*	-	68,618
			2012	-	-	2015*	-	165,537
D Hardy	127	-	2009	100	-	-	-	-
			2010	-	-	2013	-	30,600
			2011	-	-	2013*	-	5,704
			2011	-	-	2014*	-	51,992
			2011	100	-	-	-	-
			2012	-	-	2013*	-	10,625
			2012	-	-	2014*	-	33,794
			2012	-	-	2015*	-	81,525
A Saines	194	-	2009	100	-	-	-	-
			2010	-	-	2013	-	29,105
			2011	-	-	2013*	-	5,704
			2011	-	-	2014*	-	51,992
			2011	100	-	-	-	-
			2012	-	-	2013*	-	13,482
			2012	-	-	2014*	-	42,885
			2012	-	-	2015*	-	103,460
A Bhatia	106	-	2009	100	-	-	-	-
			2010	-	-	2013	-	29,105
			2011	-	-	2013*	-	5,704
			2011	-	-	2014*	-	51,992
			2011	100	-	-	-	-
			2012	-	-	2013*	-	9,546
			2012	-	-	2014*	-	30,361
			2012	-	-	2015*	-	73,248
P Barlow	100	-	2010	-	-	2013	-	24,254
			2011	-	-	2013*	-	3,803
			2011	-	-	2014*	-	34,662
			2011	100	-	-	-	-
			2012	-	-	2013*	-	7,065
			2012	-	-	2014*	-	22,472
			2012	-	-	2015*	-	54,212

*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	Number under performance rights
Jul-2007	Jun-2014	\$1.75	42,000	
Oct-2007	Oct-2012	\$2.15	80,000	
Sep-2008	Sep-2013	\$2.00	520,000	
Jul-2009	Jul-2014	\$2.00	240,000	
Dec-2009	Jun-2014	\$3.89	250,000	
Mar-2010	Oct-2014	\$3.89	946,250	
Oct-2010	Oct-2015	\$4.90	500,000	
Mar-2011	Oct-2015	\$4.90	1,435,000	
Oct-2011	Oct-2016	\$4.69	1,058,700	
Oct-2011	Oct-2016	\$0.00		259,294
Mar-2012	Oct-2016	\$4.69	216,005	
Mar-2012	Oct-2016	\$0.00		68,873
			5,287,955	328,167

No option or performance rights holder has any right under the options or performance rights to participate in any other share issue of the Company. No options or performance rights have been issued post 30 June 2012.

Shares issued on the exercise of options

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2012 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
Jul-2011	\$2.15	50,000
Aug-2011	\$1.75	15,000
Aug-2011	\$2.15	10,000
Aug-2011	\$2.00	125,000
Sep-2011	\$1.05	75,000
Sep-2011	\$1.75	16,000
Sep-2011	\$2.15	10,000
Sep-2011	\$2.00	595,000
Nov-2011	\$1.75	20,000
Nov-2011	\$2.15	10,000
Nov-2011	\$2.00	10,000
Dec-2011	\$2.15	10,000
Dec-2011	\$2.00	140,000
Feb-2012	\$2.15	400,000
Mar-2012	\$2.15	10,000
Mar-2012	\$2.00	10,000
May-2012	\$2.00	5,000
		1,511,000

Insurance of officers

During the financial year, carsales.com Ltd paid a D&O insurance premium of \$53,332 to insure the Directors, Officers and Company Secretary 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 directors and officers

All current directors and officers are indemnified under a deed of indemnity, insurance and access.

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 and Risk 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	
	2012	2011
	\$	\$
Other assurance services		
PwC Australian firm		
Due diligence services	89,410	161,501
Controls assurance services	50,000	59,148
Computer software services	-	8,299
Total remuneration for other assurance services	139,410	228,948
Taxation services		
PwC Australian firm		
Tax compliance services	41,500	40,000
Tax consulting and tax advice on acquisitions	18,889	49,429
Total remuneration for taxation services	60,389	89,429

Non-audit services (continued)

	Consolidated	
	2012	2011
	\$	\$
Other advisory services		
PwC Australian firm		
Related practices	-	100,000
Total remuneration for other advisory services	-	100,000
Total remuneration for non-audit services	199,799	418,377

Sustainability

carsales is committed to being a corporate citizen of good standing and where practical implementing sustainability programs.

Over the past twelve months the Company through its community day program has had many large groups of employees involved in various projects around the community, such as the Conservation Volunteers program, involving tree planting days.

Corporate Social Responsibility

carsales takes its social responsibility very seriously and is committed to making worthy contributions to our community. The Company annually selects a charity that it supports through a number of fund raising events during the course of each year. The most recent charities supported include The Cancer Council of Australia and the Starlight Foundation. The Company also provides staff with an annual community day to allow employees to make meaningful contributions of their time to a charity or community service based organisation of their choice.

Auditor's independence declaration

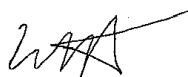
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

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 Director's Report. Amounts in the Director's 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*.



Wal Pisciotta
Chairman



Greg Roebuck
Managing Director and CEO

Richmond
14 August 2012



Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Ltd for the year ended 30 June 2012, 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.

A handwritten signature in black ink, appearing to read 'John Yeoman'.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
14 August 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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Corporate Governance Statement

Introduction

The Board of the Company is responsible for the governance of the Company and its controlled entities (the Group).

The Board is committed to achieving and demonstrating the highest standards of corporate governance and ensuring that good corporate governance is a fundamental part of the culture and business practice of the Group. The Board also continually reviews the governance framework and practices of the Company to ensure that they meet the interests of all stakeholders.

A description of the Group's main corporate governance practices are set out below.

All of 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.

1. Principle: Laying Solid Foundations for management and oversight

1.1 The Board of Directors

The Board has adopted a formal charter that details the functions and responsibilities of the Board.

A copy of the Board Charter is available in the shareholder centre of the Company website at www.carsales.com.au.

1.2 The Board's responsibilities include:

- protecting and enhancing the value of the assets of the Company;
- setting strategies, directions and monitoring and reviewing of these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- reviewing the Company's accounts;
- approval and review of the one year operating budget and three year strategic plan for the Company;
- evaluating performance and determining the remuneration of the Managing Director and Senior Executives;
- 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; and
- appointment of the Managing Director.

1.3 Matters specifically reserved for the Board

The Board has reserved for itself the following matters, which are in addition to any matters expressly required by law or other regulation to be approved by the Directors:

- setting the corporate objective of the Company and approving business strategies and plans of the Company designed to meet that objective;
- approving changes to the Company's capital structure and dividend policy;
- approval of the Annual Budget;
- appointing and removing the Managing Director and carrying out succession planning for the Managing Director as applicable;
- reviewing the performance of the Managing Director, his/her remuneration and contractual arrangements;
- appointing and removing senior executives on the recommendation of the Managing Director;
- reviewing the performance and remuneration of Senior Executives on the review and recommendation of the Managing Director;
- reviewing the composition of the Board and Board Committees, the independence of Directors, the Board's performance and carrying out succession planning for the Chairman and other Non-Executive Directors;

1. Principle: Laying Solid Foundations for management and oversight (continued)

- reviewing the performance of management and the Company, including in relation to the corporate governance, risk management, internal controls and compliance frameworks, systems, policies and processes adopted by the Company;
- dealing with any matters in excess of any specific delegations that the Board may from time to time delegate to the Managing Director and Senior Executives; and
- approving the communication to shareholders and to the public of the half-year and full-year results and generally any public statements which reflect issues of the Company's policy or strategy that the Board deems material.

1.4 Board committees

The Board has established the following Board Committees to assist it in the discharge of its responsibilities:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

Each Board Committee operates under a formal charter that is made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

An outline of the responsibilities of the Audit and Risk Management Committee is also contained within Section 5.1 of this Statement.

An outline of the responsibilities of the Remuneration and Nomination Committee is also contained within Section 9.1 of this Statement.

1.5 Relationship between directors and management

Subject to the Company's Constitution and matters specifically reserved for the Directors, the Directors delegate responsibility for day-to-day management of the Company to the Managing Director. The Non-Executive Directors do not participate in the day to day affairs or management of the Company.

1.6 Role of the Managing Director

The Managing Director has responsibility for the day-to-day management of the Company, providing leadership and managing and overseeing the interfaces between the Company and the public and to act as the principal representative for the Company.

The Managing Director periodically reviews succession planning and management development and will report to the Board on the outcome of these reviews on an as required basis.

1.7 Senior executive performance

The performance of the Managing Director and his direct reports are evaluated annually. The Company has documented a 'Process for evaluation of performance' policy which is made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

All direct reports of the Managing Director are evaluated by the Managing Director and the performance evaluation of the Managing Director is facilitated by the Chairman, with ultimate oversight by the Board. The evaluation of the Managing Director involves an assessment of a range of factors including the overall performance of the Company and the achievement of specific pre-determined goals.

During the reporting period, a performance evaluation for senior executives (including the Managing Director) has taken place in accordance with this process.

2. Principle: Structuring the Board to add value

2.1 Board size:

The Company's Constitution includes provisions for the number of directors, casual vacancies and additional directors, appointment and removal of directors by General Meeting and retirement of directors.

The Company's Constitution specifically provides that the Company is to have not less than three, nor more than 12 directors.

A copy of the Company's Constitution is made publicly available in the shareholder centre of the Company website at www.carsales.com.au

2.2 Board composition

The current members of the Board and their skills, experience, expertise, qualifications, term of office, relationships affecting independence, their independent status and membership of committees are set out in the Directors' Report under the heading "Information on Directors".

At the date of this report, the Board consists of 6 directors (a majority of which are independent directors), comprising:

- 4 independent non-executive directors,
- 1 non-independent non-executive director, (the Chairman); and
- 1 executive director being the Managing Director

The Board comprises the following directors:

Mr. G Roebuck (Managing Director)
Mr. W Pisciotta (Non-Independent Non-Executive Chairman)
Mr. I Law (Independent Non-Executive Director)
Mr. P O'Sullivan (Independent Non-Executive Director)
Mr. R Collins (Independent Non-Executive Director)
Ms. K Anderson (Independent Non-Executive Director)
Mr. S Kloss (Alternate)

2.3 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.

2.4 Remuneration and Nomination Committee

The Company's Remuneration and Nomination Committee is responsible for assisting the Board in developing criteria for Board membership, identifying specific individuals for nomination and establishing processes for the review of the performance of individual directors and the Board as a whole.

A copy of the Remuneration and Nomination Committee Charter is made publicly available in shareholder centre of the Company website at www.carsales.com.au.

The Remuneration and Nomination Committee consists of the following directors:

Mr R Collins (Independent) appointed as Chairman (October 2011)
Mr W Pisciotta resigned as Chairman (October 2011)
Mr I Law (Independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 12.

The Remuneration and Nomination Committee consists of a majority of independent directors, is chaired by an independent chair and has at least 3 members.

Additional detail relating to role and responsibilities of the Remuneration and Nomination Committee is contained within Section 9.1 of this statement.

2. Principle: Structuring the Board to add value (continued)

2.5 Appointment & re-election of board members

The Company has developed a 'Procedure for the selection and appointment of directors' which is made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

In addition to the specific skills, knowledge and experience deemed necessary for a suitable candidate, consideration is given to:

- the extent to which the candidate is likely to contribute to the overall effectiveness of the Board and work constructively with the existing directors;
- the integrity of the candidate;
- whether the candidate would be prepared to question, challenge and offer critiques;
- whether the candidate had a proven track record of creating value for shareholders;
- a commitment by the candidate to the highest standards of governance;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact that each may have on the appointee's ability to exercise an independent judgment; and
- whether the candidate will bring an independent point of view to the Board's decision making process.

The composition of the Board is to be reviewed annually by the Board and the Chairman is to assess the Board's effectiveness.

2.6 Independence of directors

All directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The independence of each of the non-executive directors is reviewed, at least annually.

In assessing the independence of directors, the Board has regard to the provisions of the ASX Corporate Governance Council, 'Corporate Governance Principles and Recommendations' (2nd ed).

The Company defines an independent director as a non-executive director (i.e. not a member of management) who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgment and ability to act in the best interests of the Company.

When assessing the independent status of a director, the Board will consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company or another group member other than as a director.

In assessing each director's independence the Board will consider the effect of a director's business and other relationships and interests from the perspective of both the Company and the Director.

The Board may determine that a director is independent notwithstanding the existence of a relationship of the kind referred to above. It is considered that all non-executive directors are independent except Mr Wal Pisciotta for the reasons set out below.

Mr Wal Pisciotta, the Chairman, has been a director of the Company since inception and is a substantial shareholder of the Company. Accordingly, he is not considered to be an independent director. However, given Mr Pisciotta's substantial experience in the car industry of over 35 years the Company believes that it is valuable to have a Chairman with such depth of experience and skill. Given the specialist nature of the Company's activities, an independent chairman is not regarded as necessary.

2. Principle: Structuring the Board to add value (continued)

Mr Ian Law, non-executive director, had previously not been considered to be an independent director as a result of his previous role with a substantial shareholder of the Company, being PBL Media (now Nine Entertainment). Nine Entertainment ceased to be a substantial shareholder of the Company on the 7th March 2011. As Mr Law (i) is no longer an employee of Nine Entertainment and (ii) Nine Entertainment is no longer a substantial shareholder of the Company, Mr Law is deemed to be independent.

Mr Pat O'Sullivan, non-executive director, had previously not been considered to be an independent director as a result of his role with a previous substantial shareholder being PBL Media (now Nine Entertainment). Mr O'Sullivan during the financial year resigned from his position with Nine Entertainment effective from 30 June 2012. Nine Entertainment ceased to be a substantial shareholder of the Company on the 7th March 2011. As Nine Entertainment is no longer a substantial shareholder of the Company, Mr O'Sullivan is deemed to be independent.

With regard to other non-executive directors, any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted directors do not take part in the decision-making process on relevant issues. On this basis, it is believed that their independence on all other issues is not compromised.

2.7 Role of the Chairman

The roles of the Chairman and Managing Director are separate and the Chairman is a non-executive director.

The role of the Chairman are set out in the Board Charter and include being responsible for managing the Board effectively, providing leadership to the Board and being the interface with the Managing Director.

The Chairman has the authority to act and speak for the Board and liaise with the Company's stakeholders between meetings, subject to any agreed consultation processes.

The Board has appointed the role of Deputy Chairman & Lead Independent Director. The role of the Deputy Chairman & Lead Independent Director is to act as the Chair of the Board in the absence of the Chairman.

In instances where the Chairman may be conflicted the Deputy Chairman & Lead Independent Director will be responsible for taking a leadership role in those matters. In addition, this role will co-ordinate any assessment of the performance of the Chairman with other non-executive directors.

2.8 Director conduct

When exercising their powers and responsibilities as directors, and when acting as a representative of the Company, directors are expected to comply with all relevant laws and regulations and abide by the Company's Code of Conduct.

A copy of the Company's 'Code of Conduct' is made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

2.9 Conflict and declaration of interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.

The Corporations Act 2001 and the Company's Constitution require directors to disclose any conflicts of interest and, in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest.

It is expected that directors will be sensitive to actual and perceived conflicts of interest that may arise and it is something to which they are expected to give ongoing consideration in view of the dynamic and rapidly changing nature of the Company's business.

The Board has developed procedures to be followed:

- by a director who believes he or she may have a conflict of interest or material personal interest;
- for the holding of or the continuation of a meeting where it is proposed that a meeting will discuss any matter which gives rise or may give rise to a conflict or a real sensible possibility of a conflict of interest; and

2. Principle: Structuring the Board to add value (continued)

- for the monitoring and reporting of a director's interest to ensure that the Company complies with the obligations pursuant to the Corporations Act 2001 and the ASX Listing Rules.

Entities connected with the Directors that had material 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 Company pertaining to those dealings.

2.10 Induction and training

The appointment of any new director will be made by, and in accordance with, a formal letter of appointment which details the key terms and conditions relative to that appointment.

All new directors appointed undertake an induction program, coordinated by the Company Secretary, to assist them in fulfilling their duties and responsibilities. The induction program will ensure that any new director is appropriately introduced to the Company, its operations and personnel and are acquainted with the industry within which the Company operates.

2.11 Board meetings

The number of Board and Board Committee meetings held during the year along with the attendance by directors is set on page 12 of this report.

Meetings and proceedings of the Board are governed by the relevant provisions of the Company's Constitution.

2.12 Performance of the Board, its committees and individual directors.

The Company has developed a 'Process for evaluation of performance' of the Board, Board Committees, individual directors and senior executives. This process is documented and made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The process involves an annual assessment of the performance of the Board, and Senior Executives and, for the Board, includes an assessment as to the extent to which the Board achieved its stated objectives. In relation to the performance of committees and individual directors, regular dialogue and feedback takes place during the year between the Chairman and directors. An assessment has been undertaken within the last 12 months.

2.13 Access to independent professional advice.

The Board and each Board Committee has authority to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties.

An individual director may engage separate independent counsel or advisors, at the expense of the Company, in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.

3. Principle: Promote ethical and responsible decision making

The Company, including its directors and senior executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness.

The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

3.1 Restrictions on dealing in securities

The Company has developed a 'Securities Trading Policy' relating to trading in the Company's securities by directors, officers and certain other employees of the Group.

This policy is documented and made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

3. Principle: Promote ethical and responsible decision making (continued)

3.2 Code of conduct

The Company has developed a 'Code of Conduct' Policy (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 Code is documented and made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

3.3 Approach to diversity

The Company has established a 'Diversity Policy' which is publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. These objectives and progress towards achieving them are outlined below:

Diversity policy

Objectives	Initiatives	Outcomes
Continue to grow the number of women performing senior roles from external appointments	Educating managers on the importance of a diverse workforce.	In FY12, 33% of our senior leadership appointments have been women.
Continue to implement career development programs to prepare women within the carsales business to take on more senior roles	Mentoring program, Living Leadership training and development programs	The Company's mentoring program currently consists of 43% women. Of our Living Leadership program, 33% of attendees were women and we will continue to encourage further training and development initiatives.
Create an environment that women network and mentor each other to progress their careers within carsales	Women in Leadership Program	This program is attended by the 14 women managers and leaders within the business and has been in progress since February 2012. Agenda items include networking, communication and career paths within the business.
Implement workplace flexibility programs to create a workplace that women can meet both family and work responsibilities	Paid parental leave, part time, flexible re-entry into the business from the period of parental leave	In FY12, 4 women have returned from maternity leave to part time positions in order to help them meet both their personal and professional needs.

The proportion of female employees, senior executives and board members are outlined below:

Actuals		Details
Numbers	%	
142	31%	Number of women employees in the whole organization
7	24%	Number of women in executive positions
1	17%	Number of women on the board

4. Principle: Safeguard integrity in financial reporting

4.1 Audit and Risk Management Committee

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

Mr I Law (Independent) - Appointed Chairman July 2011
Mr R Collins (Independent) - Resigned Chairman July 2011
Mr P O'Sullivan (Independent)
Ms K Anderson (Independent)

Details of these directors' qualifications, the number of meetings of the Audit and Risk Management Committee held and director's attendance at these meetings are detailed in the Directors' report on page 12.

From July 2011 Mr Law, who is an independent director, was appointed Chairman of the Committee. The former Chairman of the Committee was Mr Richard Collins, who is an independent director.

The Audit and Risk Management Committee operates in accordance with a charter which is publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The responsibilities of the Committee include:

- external reporting;
- external audit;
- internal control and risk management; and
- related party transactions.

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 Chief Financial Officer 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; and
- 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.

4.2 Written affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration on page 86.

4.3 External audit

The Company appoints external auditors who clearly demonstrate quality and independence.

The Company has a process to ensure the independence and competence of the Company's external auditor including the Audit and Risk Management Committee reviewing any non-audit work to ensure that it does not conflict with audit independence.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners are detailed in the Committee's Charter which is publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The performance of the external auditor is reviewed as required taking into consideration assessment of performance, existing value and tender costs.

4. Principle: Safeguard integrity in financial reporting (continued)

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.

5 Principle: Making timely and balanced disclosures

5.1 Continuous disclosure

The Company has established a policy that contains the key obligations of directors and employees of the Company in relation to continuous disclosure to help ensure compliance with its ASX Listing Rule and Corporations Act 2001 obligations and also to ensure accountability at a senior executive level for that compliance.

As an ASX Listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the Company ensures that the market is advised of all information required to be disclosed under the Listing Rules and the Corporations Act 2001 which the Company believes would or may have a material effect on the price or value of the Company's securities.

The policy is documented and made publicly available in the shareholder centre of the Company website at www.carsales.com.au.

6. Principle: Respect the rights of shareholders

6.1 Communicating with shareholders

The Company has developed a 'Shareholder Communication Policy' which is publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The Company is committed to ensuring that shareholders, regulators and the wider investment community are informed of all major developments affecting the Company in a timely and effective manner.

Information is communicated in a number of ways including:

- annual and half-yearly reports;
- market disclosures in accordance with the continuous disclosure protocol;
- updates on operations and developments;
- announcements on the Company's website;
- market briefings; and
- presentation at general meetings.

Shareholders are encouraged to attend and participate at general meeting and the full text of notices and accompanying materials will be included on the Company's website.

The shareholder centre of the Company website www.carsales.com.au currently carries the following information for the shareholders:

- all market announcements and related information which is posted immediately after release to the ASX;
- details relating to the Company's directors and senior executives; and
- board and board committee charters and other corporate governance documents.

7. Principle: Recognising and managing risk

7.1 Risk management

The Company's Board Charter provides that it is the responsibility of the Board to 'ensure that the significant risks facing the Company have been identified and that adequate control monitoring and reporting mechanisms are in place'.

7. Principle: Recognising and managing risk (continued)

The Company's Audit and Risk Management Charter also provides that the role of the Committee is to assist the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities.

Both the 'Board Charter' and the 'Audit and Risk Management Charter' are publicly available in the shareholder centre on the Company website at www.carsales.com.au.

The Company has also developed a 'Risk Management Policy' which is publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The Company seeks to take and manage risk in ways that will generate and protect shareholder value and recognises that the management of risk is a continual process and an integral part of the management and corporate governance of the business.

The Company acknowledges that it has an obligation to all stakeholders, including shareholders, customers, employees, contractors and the wider community and that the efficient and effective management of risk is critical to the Company meeting these obligations and achieving its strategic objectives.

7.2 Written Affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements 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 system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

8. Principle: Remunerate fairly and responsibly

8.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee's purpose, duties, membership and structure are documented in the 'Remuneration and Nomination Charter' which is publicly available in the shareholder centre of the Company website at www.carsales.com.au. The Company has also developed a 'Remuneration Policy' for the Company which details how the Company remunerates its non-executive directors and senior executives. This policy is also publicly available in the shareholder centre of the Company website at www.carsales.com.au.

The Company's Remuneration Policy contains a prohibition on directors and senior executives from entering into transactions or arrangement which limit the economic risk of participating in unvested entitlements.

The Remuneration and Nomination Committee consists of the following Directors:

Mr R Collins (Independent) appointed as Chairman October 2011
Mr W Pisciotta resigned as Chairman October 2011
Mr I Law (Independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 12.

The Remuneration and Nomination Committee consists of a majority of independent directors, is chaired by an independent chairman and has at least 3 members.

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.

8. Principle: Remunerate fairly and responsibly (continued)

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 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 a 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; and
- reviewing the Company's succession planning to maintain an appropriate balance of skills, experience and expertise on the Board.

8.2 Remuneration arrangements

8.2.1 Board and non-executive directors

The remuneration policy for the Board and the remuneration of each director is set out in both the Remuneration report which forms part of the Directors' Report, and in note 21 in the financial report.

8.2.2 Senior executives

Information on the performance evaluation and structure of remuneration for the Company's Senior Executives can be found in the Remuneration Report, which forms part of the Directors' Report.

carsales.com Ltd ABN 91 074 444 018
Annual report - 30 June 2012

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This financial report covers the consolidated financial statement of 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 4, 449 Punt Road
Richmond Vic 3121

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 5, the Managing Director's review of operations on page 7, and in the Directors' Report on page 9, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 14 August 2012. The directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our shareholder's centre on our website: www.carsales.com.au

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

carsales.com Ltd
Consolidated statement of comprehensive income
For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Revenue from continuing operations			
Sale of goods and services		184,206	152,510
Other revenue from ordinary activities		1,322	987
Revenue from continuing operations	5	185,528	153,497
Other Income	6	11	4
Expenses			
Sales and marketing expenses		(50,413)	(42,361)
Operations and administration		(18,466)	(14,277)
Service development and maintenance		(14,083)	(12,040)
Other expenses		(3,339)	(2,713)
Finance costs	7	(31)	(2)
Profit before income tax		99,207	82,108
Income tax expense	8	(27,618)	(23,848)
Profit from continuing operations		71,589	58,260
Other comprehensive income			
Exchange differences on translation of foreign operations	19(a)	(2)	(87)
Total comprehensive income for the year		71,587	58,173
Profit is attributable to:			
Owners of carsales.com Ltd		71,589	58,260
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		71,587	58,173
		Cents	Cents
Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	28	30.6	25.0
Diluted earnings per share	28	30.5	24.8
Earnings per share based on profit, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		30.6	25.0
Diluted earnings per share		30.5	24.8

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

carsales.com Ltd
Consolidated statement of financial position
As at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	40,935	32,840
Receivables	10	30,243	19,733
Total current assets		<u>71,178</u>	<u>52,573</u>
Non-current assets			
Property, plant and equipment	11	5,039	1,927
Deferred tax assets	12	5,094	2,326
Intangible assets	13	80,610	81,467
Total non-current assets		<u>90,743</u>	<u>85,720</u>
Total assets		<u>161,921</u>	<u>138,293</u>
LIABILITIES			
Current liabilities			
Payables	14	15,861	13,625
Current tax liabilities		9,241	8,831
Provisions	15	3,021	2,627
Other current liabilities	16	4,806	4,017
Total current liabilities		<u>32,929</u>	<u>29,100</u>
Non-current liabilities			
Provisions	17	607	447
Total liabilities		<u>33,536</u>	<u>29,547</u>
Net assets		<u>128,385</u>	<u>108,746</u>
EQUITY			
Contributed equity	18	61,749	68,735
Reserves	19(a)	7,568	1,497
Retained profits	19(b)	59,068	38,514
Total equity		<u>128,385</u>	<u>108,746</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

carsales.com Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2012

	Attributable to owners of carsales.com Ltd			
	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	-	(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
Share buy-back	-	(3,086)	-	(3,086)
Dividends provided for or paid	-	-	(41,346)	(41,346)
Increase in share-based payment reserve inclusive of tax	-	1,680	-	1,680
Balance at 30 June 2011	68,735	1,497	38,514	108,746
Profit for the year	-	-	71,589	71,589
Exchange differences on translation of foreign operations	-	(2)	-	(2)
Total comprehensive income for the year	-	(2)	71,589	71,587
Transactions with owners in their capacity as owners:				
Contributions of equity upon exercise of employee share options	3,013	-	-	3,013
Share buy-back	(9,999)	3,086	-	(6,913)
Dividends provided for or paid	-	-	(51,035)	(51,035)
Increase in share-based payment reserve inclusive of tax	-	2,987	-	2,987
Balance at 30 June 2012	61,749	7,568	59,068	128,385

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

carsales.com Ltd
Consolidated statement of cash flows
For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (incl GST)		196,870	165,559
Payments to suppliers and employees (incl GST)		(94,261)	(81,227)
Interest received		1,322	987
Interest paid		(31)	(2)
Income taxes paid		(29,688)	(25,169)
Net cash inflow from operating activities	27	<u>74,212</u>	<u>60,148</u>
Cash flows from investing activities			
Purchase of subsidiary, net of cash acquired		-	(1,033)
Payments for property, plant and equipment		(5,349)	(710)
Payments for domain names		(23)	(1,501)
Net outstanding payment		(2,500)	-
Payments for computer software		(235)	(678)
Proceeds from disposal of assets		11	4
Net cash (outflow) from investing activities		<u>(8,096)</u>	<u>(3,918)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		3,013	4,351
Payments for shares bought back		(9,999)	-
Dividends paid to company shareholders	20	(51,035)	(41,346)
Net cash (outflow) from financing activities		<u>(58,021)</u>	<u>(36,995)</u>
Net increase in cash and cash equivalents		8,095	19,235
Cash and cash equivalents at the beginning of the financial year		<u>32,840</u>	<u>13,605</u>
Cash and cash equivalents at end of year	9	<u>40,935</u>	<u>32,840</u>

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

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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*.

(i) *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).

(ii) *Historical cost convention*

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

(iii) *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.

(iv) *Financial statement presentation*

The accounting policies adopted are consistent with those of the previous financial year.

(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 2012 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.

1 Summary of significant accounting policies (continued)

(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 consolidated statement of comprehensive income.

(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 consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each consolidated statement of comprehensive income 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 are recognised in the consolidated statement of comprehensive income, 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.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(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.

1 Summary of significant accounting policies (continued)

(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.

1 Summary of significant accounting policies (continued)

(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 consolidated statement of financial position.

(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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

(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 consolidated statement of financial position. 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.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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 consolidated statement of comprehensive income.

(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 to date 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	4 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.

1 Summary of significant accounting policies (continued)

(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 consolidated statement of comprehensive income 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 consolidated statement of financial position 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.

1 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(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 or performance rights.

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 or performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance rights, 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 or performance rights.

(v) 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 or performance rights 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 or performance rights 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.

1 Summary of significant accounting policies (continued)

(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 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

The following standards are applicable and the Group will adopt the standards upon the operative date. The Group is assessing the impact of these standards:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)
In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.
- AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements- 2009-2011 Cycle (effective 1 January 2013).
- Amendments to IFRS 10, 11 and 12 - Transition guidance (clarification only) (effective 1 January 2013).

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

The following standards are applicable but will not have a significant impact to the Company's financial statements and the Group will adopt the standards upon operative date:

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

- Revised AASB 9 Financial Instruments (addressing accounting for financial liabilities and the derecognition of financial assets and financial liabilities) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective 1 January 2015).

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date.

- AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).

- AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013).

The following standards are not applicable to carsales.com Ltd and therefore there is no impact on the Group:

- Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 1 July 2013).

AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and AASB 2010-10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time (effective 1 January 2011/1 January 2013). Adopters [AASB 2009-11 & AASB 2010-7].

1 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

- AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (effective 1 July 2012).
- AASB 2011-5 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation and AASB 2011-6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (effective 1 July 2013).
- AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (effective 1 January 2013).
- AASB 2011-13 Amendments to Australian Accounting Standard - Improvements to AASB 1049 (effective 1 July 2012).
- AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (effective 1 July 2013).

(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 tax authority is included with other receivables or payables in the Consolidated statement of financial position.

Cash flows 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 consolidated statement of financial position 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 3.5%, while the interest on the cash advance facility was 5.2% (2011 - 5.8%). Interest charged on inter - company loans between wholly owned subsidiaries is 0%. As at reporting date, the Group had \$0 (2011 - \$0) variable rate borrowings at a weighted average interest rate of 5.2% (2011 - 5.8%).

(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 Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2012 \$'000	2011 \$'000
Floating rate		
- Expiring within one year (cash advance facility)	-	23,500
- Expiring beyond one year (cash advance facility)	125,000	-
	<u>125,000</u>	<u>23,500</u>

On the 11th July 2012, the Company cancelled the 3 year revolving cash advance facility agreement it had with the National Bank of Australia.

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.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities

	0 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contract- ual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
Group - at 30 June 2012					
Non-derivatives					
Non-interest bearing payables	1,977	-	-	1,977	1,977
Variable rate borrowings	-	-	-	-	-
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	1,977	-	-	1,977	1,977

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

(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.

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 and performance rights

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

4 Segment information

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

(a) Description of segments

The Group principally operates in two business segments: namely 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 Redbook, LiveMarket, Datamotive and Datamotive Business Intelligence 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) Segment analysis

2012	Online Advertising \$'000	Data and Research \$'000	Total \$'000
Segment revenue			
Segment revenue (note 4(c)(i))	159,739	24,467	184,206
Total segment revenue	159,739	24,467	184,206
EBITDA (note 4(c)(ii))	88,936	12,319	101,255
Depreciation and amortisation			(3,339)
Net interest income			1,291
Profit before income tax			99,207
Income tax expense			(27,618)
Profit for the year			71,589
Segment assets (note 4(c)(iii))	84,053	23,634	107,687
Deferred tax assets			5,094
Unallocated assets			49,140
Total assets			161,921

4 Segment information (continued)

(b) Segment analysis (continued)

2011	Online Advertising \$'000	Data and Research \$'000	Total \$'000
Segment revenue			
Segment revenue (note 4(c)(i))	133,494	19,016	152,510
Total segment revenue	133,494	19,016	152,510
EBITDA (note 4(c)(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 4(c)(iii))	75,222	21,956	97,178
Deferred tax assets			2,326
Unallocated assets			38,789
Total assets			138,293

(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 note 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

	2012 \$'000	2011 \$'000
From continuing operations		
Sales revenue		
Sale of services	184,206	152,510
Other revenue		
Interest	1,322	987
	185,528	153,497

6 Other income

	2012 \$'000	2011 \$'000
Net gain on disposal of property, plant and equipment	<u>11</u>	<u>4</u>

7 Expenses

	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:		
Total employee benefits	40,065	32,488
Foreign exchange losses	41	158
Interest and finance charges paid/payable	31	2
Minimum lease payments	2,698	2,333
Research and development	5,107	3,036
Defined contribution superannuation expense	2,718	2,311
Net loss on disposal of property, plant and equipment	14	28
Depreciation and amortisation expense	3,339	2,713

8 Income tax expense

(a) Income tax expense

	2012 \$'000	2011 \$'000
Current tax	30,050	25,692
Deferred tax	(2,480)	(831)
Adjustments for current tax of prior periods	48	(1,013)
	<u>27,618</u>	<u>23,848</u>

Deferred income tax (revenue) expense included in income tax expense comprises:

(Increase) in deferred tax assets (note 12)	<u>(2,480)</u>	<u>(831)</u>
	<u>(2,480)</u>	<u>(831)</u>

8 Income tax expense (continued)

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

	2012 \$'000	2011 \$'000
Profit from continuing operations before income tax expense	99,207	82,108
Tax at the Australian tax rate of 30.0% (2011 - 30.0%)	29,762	24,632
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for R&D	(847)	-
Deferred tax on share options transferred to the Employee Share Trust	(1,306)	-
Share-based payments	-	504
Sundry items	(39)	(275)
Adjustments for current tax of prior periods	48	(1,013)
Total income tax expense	27,618	23,848

(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

	2012 \$'000	2011 \$'000
Cash in hand	4	5
Bank balances	40,931	32,835
	40,935	32,840

(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 3.5% (2011: 4.9%).

10 Current assets - Receivables

	2012 \$'000	2011 \$'000
Net trade receivables		
Trade receivables	26,244	19,611
Provision for impairment of receivables (note 10(a))	(937)	(1,050)
	25,307	18,561
 Other receivables*	 2,427	 303
Prepaid general	2,509	869
	30,243	19,733

10 Current assets - Receivables (continued)

*Other receivables in 2012 relate to amounts owing by Torpedo 7.

Receivables from related parties are disclosed under note 24.

(a) Impaired trade receivables

As at 30 June 2012 current trade receivables of the Group with a nominal value of \$937,000 (2011 - \$1,050,000) were impaired. The amount of the provision was \$937,000 (2011 - \$1,050,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

The ageing of these receivables is as follows:

	2012 \$'000	2011 \$'000
1 to 3 months	282	197
3 to 6 months	232	483
Over 6 months	423	370
	<u>937</u>	<u>1,050</u>

Movements in the provision for impairment of receivables are as follows:

	2012 \$'000	2011 \$'000
At 1 July	1,050	1,016
Provision for impairment recognised during the year	(14)	771
Receivables written off during the year as uncollectable	(99)	(737)
At 30 June	<u>937</u>	<u>1,050</u>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the consolidated statement of comprehensive income. 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 2012, trade receivables of \$4,949,000 (2011 - \$3,375,000) 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:

	2012 \$'000	2011 \$'000
Up to 3 months	4,946	3,297
3 to 6 months	3	78
	<u>4,949</u>	<u>3,375</u>

(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.

10 Current assets - Receivables (continued)

(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 impro- vements \$'000	Total \$'000
At 1 July 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
Year ended 30 June 2012				
Opening net book amount	844	39	1,044	1,927
Additions	616	6	4,292	4,914
Asset disposal	(12)	(2)	-	(14)
Depreciation charge	(568)	(10)	(1,210)	(1,788)
Closing net book amount	880	33	4,126	5,039
At 30 June 2012				
Cost	2,600	60	4,475	7,135
Accumulated depreciation	(1,720)	(27)	(349)	(2,096)
Net book amount	880	33	4,126	5,039

12 Non-current assets - Deferred tax assets

	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	1,088	922
Doubtful debts	281	277
Expense provisions and accruals	1,320	1,127
Share options in the Employee Share Trust	2,405	-
	<u>5,094</u>	<u>2,326</u>
Movements:		
Opening balance at 1 July	2,326	1,495
Credited to the consolidated income statement (note 8)	2,480	831
Credited directly to equity	288	-
Closing balance at 30 June	<u>5,094</u>	<u>2,326</u>
Deferred tax assets to be recovered within 12 months	4,540	2,192
Deferred tax assets to be recovered after more than 12 months	554	134
	<u>5,094</u>	<u>2,326</u>

	Employee benefits \$'000	Employee Share Trust \$'000	Other \$'000	Total \$'000
At 1 July 2010	822	-	673	1,495
Credited to the consolidated income statement (note 8)	100	-	731	831
At 30 June 2011	<u>922</u>	<u>-</u>	<u>1,404</u>	<u>2,326</u>
Credited to the consolidated income statement (note 8)	166	2,117	197	2,480
Credited directly to equity	-	288	-	288
At 30 June 2012	<u>1,088</u>	<u>2,405</u>	<u>1,601</u>	<u>5,094</u>

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 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
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
Year ended 30 June 2012					
Opening net book amount	77,444	1,818	1,488	717	81,467
Development costs recognised as an asset	-	-	292	-	292
Additions	-	22	380	-	402
Amortisation charge **	-	(522)	(913)	(116)	(1,551)
Closing net book amount	77,444	1,318	1,247	601	80,610
At 30 June 2012					
Cost	77,444	2,621	5,699	1,165	86,929
Accumulated amortisation and impairment	-	(1,303)	(4,452)	(564)	(6,319)
Net book amount	77,444	1,318	1,247	601	80,610

* Software includes capitalised development costs being an internally generated intangible asset.

** Amortisation is included in other expenses in the consolidated statement of comprehensive income.

(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.

13 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

2012	Australia \$'000	Total \$'000
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	<u>77,444</u>	<u>77,444</u>

2011	Australia \$'000	Total \$'000
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	<u>77,444</u>	<u>77,444</u>

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 **		Discount rate ***	
	2012 %	2011 %	2012 %	2011 %
Online Advertising	2.5	2.5	8.3	10.2
Data and Research	2.5	2.5	8.3	10.2

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

	2012 \$'000	2011 \$'000
Trade payables	1,977	5,635
Accrued expenses	12,643	7,723
Other payables	1,241	267
	<u>15,861</u>	<u>13,625</u>

Details of related party payables are disclosed under note 24.

15 Current liabilities - Provisions

	2012 \$'000	2011 \$'000
Employee benefits	<u>3,021</u>	<u>2,627</u>

16 Current liabilities - Other current liabilities

	2012 \$'000	2011 \$'000
Deferred advertising services revenue - see note 1(e)	<u>4,806</u>	<u>4,017</u>

17 Non-current liabilities - Provisions

	2012 \$'000	2011 \$'000
Employee benefits	<u>607</u>	<u>447</u>

18 Contributed equity

(a) Share capital

	Notes	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Ordinary shares					
Fully paid	18(b)	<u>233,689,223</u>	234,350,300	<u>61,749</u>	68,735
		<u>233,689,223</u>	234,350,300	<u>61,749</u>	68,735

(b) Movements in ordinary share capital

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	<u>234,350,300</u>		<u>68,735</u>

18 Contributed equity (continued)

(b) Movements in ordinary share capital (continued)

Date	Details	Number of shares		\$'000
1 July 2011	Opening balance	234,350,300		68,735
July 2011	Exercise of employee options	50,000	\$2.15	107
July 2011	Share buy-back	(296,942)	\$4.61	(1,370)
July 2011	Share buy-back	(372,192)	\$4.59	(1,710)
July 2011	Share buy-back	(1,444)	\$4.57	(6)
August 2011	Exercise of employee options	15,000	\$1.75	26
August 2011	Exercise of employee options	10,000	\$2.15	22
August 2011	Exercise of employee options	125,000	\$2.00	250
September 2011	Exercise of employee options	75,000	\$1.05	78
September 2011	Exercise of employee options	16,000	\$1.75	28
September 2011	Exercise of employee options	10,000	\$2.15	22
September 2011	Exercise of employee options	595,000	\$2.00	1,190
September 2011	Share buy-back	(5,000)	\$4.65	(23)
September 2011	Share buy-back	(9,472)	\$4.65	(44)
September 2011	Share buy-back	(155,528)	\$4.63	(720)
September 2011	Share buy-back	(15,000)	\$4.65	(70)
September 2011	Share buy-back	(245,000)	\$4.62	(1,131)
September 2011	Share buy-back	(12,538)	\$4.60	(57)
September 2011	Share buy-back	(130,031)	\$4.58	(596)
September 2011	Share buy-back	(24,155)	\$4.60	(111)
October 2011	Share buy-back	(7,167)	\$4.60	(33)
November 2011	Exercise of employee options	20,000	\$1.75	35
November 2011	Exercise of employee options	10,000	\$2.15	22
November 2011	Exercise of employee options	10,000	\$2.00	20
November 2011	Share buy-back	(443,795)	\$4.60	(2,040)
November 2011	Share buy-back	(453,813)	\$4.60	(2,088)
December 2011	Exercise of employee options	10,000	\$2.15	22
December 2011	Exercise of employee options	140,000	\$2.00	280
March 2012	Exercise of employee options	410,000	\$2.15	881
March 2012	Exercise of employee options	10,000	\$2.00	20
May 2012	Exercise of employee options	5,000	\$2.00	10
30 June 2012	Balance	<u>233,689,223</u>		<u>61,749</u>

(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.

18 Contributed equity (continued)

(e) Options and performance rights

Information relating to the carsales.com Ltd Employee Option Plan, including details of options and performance rights 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 8 June 2012 the share buy-back was terminated, at which date 2,172,077 on market shares had been purchased at an average price of \$4.60 per share.

(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.

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

The Company's capital position at 30 June 2012 and 30 June 2011 was as follows:

	2012 \$'000	2011 \$'000
Total payables and borrowings	15,861	13,625
Less: cash and cash equivalents	<u>(71,178)</u>	<u>(52,573)</u>
Net cash and cash equivalents	<u>(55,317)</u>	<u>(38,948)</u>
 Total equity	 <u>128,385</u>	 <u>108,746</u>

19 Reserves and retained profits

(a) Reserves

	2012 \$'000	2011 \$'000
Share-based payment reserve	7,646	4,658
Foreign currency translation reserve	(78)	(75)
Treasury share reserve	<u>-</u>	<u>(3,086)</u>
	<u>7,568</u>	<u>1,497</u>

	2012 \$'000	2011 \$'000
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Movements:

<i>Share-based payment reserve</i>		
Balance 1 July	4,658	2,978
Option expense	2,700	1,680
Deferred tax on Employee Share Trust charged to equity	288	-
Balance 30 June	<u>7,646</u>	<u>4,658</u>

19 Reserves and retained profits (continued)

(a) Reserves (continued)

	2012 \$'000	2011 \$'000
Movements:		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(75)	12
Currency translation differences arising during the year	(3)	(87)
Balance 30 June	(78)	(75)

	2012 \$'000	2011 \$'000
Movements:		
<i>Treasury share reserve</i>		
Balance 1 July	(3,086)	-
Share buy-back	3,086	(3,086)
Balance 30 June	-	(3,086)

(b) Retained profits

Movements in retained earnings were as follows:

	2012 \$'000	2011 \$'000
Balance 1 July	38,514	21,600
Net profit income for the year	71,589	58,260
Dividends	(51,035)	(41,346)
Balance 30 June	59,068	38,514

(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 30 June 2011 year end, subsequently cancelled during the year ended 30 June 2012.

20 Dividends

(a) Ordinary shares

	2012 \$'000	2011 \$'000
Final ordinary dividend for the year ended 30 June 2011 of 10.5 cents (2010 - 8.3 cents) per fully paid share paid on 5 October 2011 (6 October 2010). Fully franked (2011 - fully franked) based on tax paid @ 30%	24,630	19,318
Interim ordinary dividend for the year ended 30 June 2012 of 11.3 cents (2011 - 9.4 cents) per fully paid share paid on 11 April 2012 (20 April 2011). Fully franked (2011 - fully franked) based on tax paid @ 30%	26,405	22,028
Total dividends provided for or paid	<u>51,035</u>	<u>41,346</u>
Paid in cash	<u>51,035</u>	<u>41,346</u>

(b) Dividends not recognised at year end

	2012 \$'000	2011 \$'000
In addition to the above dividends, since year end the Directors have recommended the payment of both a final dividend of 13.2 cents per fully paid ordinary share, (2011 - 10.5 cents) and a special dividend of 6.0 cents per fully paid ordinary share (2011 - 0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid on 25 September 2012 out of retained earnings at 30 June 2012, but not recognised as a liability at year end, is	<u>44,887</u>	<u>24,630</u>

(c) Franked dividends

	2012 \$'000	2011 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30.0% (2011 - 30.0%)	<u>26,956</u>	<u>18,618</u>

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
- K Anderson
- S Kloss (Alternate)

(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, Company Secretary	carsales.com Ltd
D Hardy	Dealer & Data Services Director	carsales.com Ltd
A Saines	Commercial Director	carsales.com Ltd
A Bhatia	Chief Information Officer	carsales.com Ltd
P Barlow	Strategy Director	carsales.com Ltd

(c) Key management personnel compensation

	2012 \$'000	2011 \$'000
Short-term employee benefits	4,315,644	3,852,895
Post-employment benefits	126,361	134,995
Share-based payments	1,979,978	1,348,056
Long-term employment benefits	89,475	63,059
	6,511,458	5,399,005

Detailed Remuneration Disclosures are provided in the remuneration report on pages 12 to 26.

(i) Option holdings and performance rights

The numbers of options and performance rights 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.

21 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2012	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Name							
Directors of carsales.com Ltd							
W Pisciotta	-	-	-	-	-	-	-
R Collins	125,000	-	(125,000)	-	-	-	-
G Roebuck	1,550,000	426,509	(400,000)	-	1,576,509	775,000	801,509
P O'Sullivan	-	-	-	-	-	-	-
I Law	-	-	-	-	-	-	-
S Kloss	-	-	-	-	-	-	-
(Alternate)	-	-	-	-	-	-	-
K Anderson	-	-	-	-	-	-	-
Other key management personnel of the Group							
D Hardy	462,500	111,435	(120,000)	-	453,935	37,500	416,435
C McIntyre	531,250	226,265	(120,000)	-	637,515	50,000	587,515
A Saines	362,500	141,415	(100,000)	-	403,915	37,500	366,415
A Bhatia	327,500	100,122	(65,000)	-	362,622	37,500	325,122
P Barlow	193,750	74,102	-	-	267,852	25,000	242,852
2011	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Name							
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)	-	-	-	-
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

* 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.

21 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

(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.

2012	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Name				
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	19,279,807	-	-	19,279,807
R Collins	1,331,750	125,000	(220,000)	1,236,750
G Roebuck	6,491,451	400,000	(332,283)	6,559,168
S Kloss (Alternate)	2,774,500	-	-	2,774,500
K Anderson	10,000	-	-	10,000
Other key management personnel of the Group				
Ordinary shares				
D Hardy	237,380	120,000	(40,000)	317,380
C McIntyre	133,000	120,000	(60,000)	193,000
A Saines	6,000	100,000	(61,000)	45,000
A Bhatia	6,000	65,000	(68,000)	3,000
P Barlow	10,000	-	-	10,000
2011	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at 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
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

(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.

21 Key management personnel disclosures (continued)

(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.

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:

(a) PwC Australia

	2012 \$	2011 \$
<i>PwC Australian firm</i>		
Audit and review of financial reports	153,521	177,561
Controls and assurance services	50,000	59,148
Due diligence services	89,410	161,501
Total remuneration for audit and other assurance services	<u>292,931</u>	<u>398,210</u>
<i>Taxation services</i>		
Tax compliance services, including review of Company income tax returns	41,500	40,000
International tax consulting and tax advice on mergers and acquisitions	18,889	49,429
Total remuneration for taxation services	<u>60,389</u>	<u>89,429</u>
<i>Other services</i>		
Computer software services	-	8,299
Total remuneration of PwC Australia	<u>353,320</u>	<u>495,938</u>

(b) Related practices of PwC Australia

	2012 \$	2011 \$
<i>Audit and other assurance services</i>		
Other assurance services - Legal and other services	-	100,000
Total remuneration for audit and other assurance services	<u>-</u>	<u>100,000</u>

22 Remuneration of auditors (continued)

(c) Non-PwC audit firms

	2012 \$	2011 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	8,965	7,199
Total remuneration for audit and other assurance services	<u>8,965</u>	<u>7,199</u>
<i>Taxation services</i>		
Tax compliance services	26,250	26,250
Total remuneration for taxation services	<u>26,250</u>	<u>26,250</u>
<i>Other services</i>		
Due diligence	-	17,105
Total remuneration of non-PwC Australia audit firms	<u>35,215</u>	<u>50,554</u>
Total auditors' remuneration	<u>388,535</u>	<u>646,492</u>

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

Non-cancellable operating leases

The Group leases offices under non-cancellable operating leases expiring within 8 years. Upon renewal date, the Company has the option to renew the lease for a further 2 years at terms which are negotiable.

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

	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,639	2,135
Later than one year but not later than five years	11,659	1,953
Later than five years	6,758	-
	<u>21,056</u>	<u>4,088</u>

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):

24 Related party transactions (continued)

(b) Transactions with other related parties (continued)

	2012 \$	2011 \$
<i>Sales of goods and services</i>		
Sale of services to related parties	408,879	662,767
<i>Purchases of goods</i>		
Purchases of goods from related parties	3,676,894	5,237,632

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:

	2012 \$'000	2011 \$'000
Current receivables (sales of goods and services)		
Other related parties	102,106	116,274
Current payables (purchases of goods and services)		
Other related parties	795,371	599,232

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).

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2012 %	2011 %
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
Redbook Automotive Services (M) Sdn Bhd	Malaysia	Ordinary	100	100
Redbook 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

On the 11th July 2012, the Company cancelled the 3 year revolving cash advance facility agreement it had with the National Bank of Australia.

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

	2012 \$'000	2011 \$'000
Profit for the year	71,589	58,260
Depreciation and amortisation	3,339	2,713
Loss on sale of assets	14	28
Non-cash employee benefits expense - share-based payments	2,700	1,680
Net exchange differences	(2)	(87)
Change in operating assets and liabilities		
(Increase) in trade debtors	(9,174)	(2,398)
(Increase) in deferred tax assets	(2,768)	(831)
Decrease (Increase) in other operating assets	1,163	(496)
(Decrease) in trade creditors	(573)	(859)
Increase in other operating liabilities	6,960	2,385
Increase (Decrease) in provision for income taxes payable	410	(490)
Increase in other provisions	554	331
(Decrease) in liabilities through acquisition	-	(88)
Net cash inflow from operating activities	<u>74,212</u>	<u>60,148</u>

28 Earnings per share

(a) Basic earnings per share

	2012 Cents	2011 Cents
From continuing operations attributable to the ordinary equity holders of the Company	<u>30.6</u>	25.0
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>30.6</u>	25.0

(b) Diluted earnings per share

	2012 Cents	2011 Cents
From continuing operations attributable to the ordinary equity holders of the Company	<u>30.5</u>	24.8
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>30.5</u>	24.8

28 Earnings per share (continued)

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

	2012 \$'000	2011 \$'000
<i>Basic earnings per share</i>		
Profit from continuing operations	71,589	58,260
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	71,589	58,260

(d) Weighted average number of shares used as denominator

	2012	2011
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	233,689,595	233,462,883
Adjustments for calculation of diluted earnings per share:		
Options outstanding	909,519	1,488,583
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	234,599,114	234,951,466

(e) Information on the classification of securities

(i) Options and performance rights

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

Options and performance rights 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. Each performance rights is convertible into one ordinary share for \$0 exercise price, upon satisfaction of all vesting requirements.

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

29 Share-based payments (continued)

(a) Employee Option and Performance Rights Plan (continued)

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

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Performance rights granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Vested and exercisable at end of the year Number
2012									
Feb 2007	Nov 2011	\$1.05	75,000	-	-	(75,000)	-	-	-
Jul 2007	Jun 2014	\$1.75	93,000	-	-	(51,000)	-	42,000	42,000
Oct 2007	Oct 2012	\$2.15	580,000	-	-	(500,000)	-	80,000	80,000
Sep 2008	Sep 2012	\$2.00	125,000	-	-	(125,000)	-	-	-
Sep 2008	Sep 2013	\$2.00	1,290,000	-	-	(760,000)	(10,000)	520,000	520,000
Jul 2009	Jul 2014	\$2.00	240,000	-	-	-	-	240,000	-
Dec 2009	Jun 2014	\$3.89	250,000	-	-	-	-	250,000	250,000
Mar 2010	Oct 2014	\$3.89	978,750	-	-	-	(32,500)	946,250	-
Oct 2010	Oct 2015	\$4.90	500,000	-	-	-	-	500,000	125,000
Mar 2011	Oct 2015	\$4.90	1,490,000	-	-	-	(55,000)	1,435,000	237,500
Oct 2011	Oct 2016	\$4.69	-	1,058,700	-	-	-	1,058,700	-
Oct 2011	Oct 2016	\$0.00	-	-	259,294	-	-	259,294	-
Mar 2012	Oct 2016	\$4.69	-	216,005	-	-	-	216,005	-
Mar 2012	Oct 2016	\$0.00	-	-	68,873	-	-	68,873	-
Total			5,621,750	1,274,705	328,167	(1,511,000)	(97,500)	5,616,122	1,254,500

Weighted average exercise price	\$3.44	\$4.69	\$0.00	\$1.99	\$4.27	\$3.90	\$3.22
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Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Performance rights granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the 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 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
Oct 2007	Oct 2011	\$2.15	500,000	-	-	(500,000)	-	-	-
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	\$0.00	\$2.34	\$2.78	\$3.44	\$3.02
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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 2012 is estimated to be approximately \$4.85 (2011: approximately \$4.71).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.08 years (2011 - 3.08 years).

29 Share-based payments (continued)

(a) Employee Option and Performance Rights Plan (continued)

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 ranged between \$0.95 and \$1.38 per option (2011 - between \$0.95 and \$1.43). The assessed value at grant date of performance rights granted during the year ended 30 June 2012 ranged between \$4.35 and \$4.73. 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 and performance right, 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 2012 included:

- (a) Options are granted for no consideration. For vesting dates refer page 23.
- (b) Exercise price: \$4.69 (2011 - \$4.90).
- (c) Grant date: October 2011 and March 2012 (2011: October 2010 and March 2011).
- (d) Expiry date: October 2016 (2011: October 2015).
- (e) Share price at grant date: \$4.93 and \$5.25 (2011 - \$4.85 and \$5.20).
- (f) Expected price volatility of the Company's shares: 35% (2011 - 34%).
- (g) Expected dividend yield: 4.1% (2011 - 3.6%).
- (h) Risk-free interest rate: 4.09% (2011 - 5.21%).

The model inputs for performance rights granted during the year ended 30 June 2012 included:

- (a) Performance rights are granted for no consideration. For vesting dates refer page 23.
- (b) Exercise price: \$0
- (c) Grant date: October 2011 and March 2012
- (d) Expiry date: October 2016
- (e) Share price at grant date: \$4.93 and \$5.25
- (f) Expected price volatility of the Company's shares: 35%
- (g) Expected dividend yield: 4.1%
- (h) Risk-free interest rate: 4.09%

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:

	2012 \$'000	2011 \$'000
Options and performance rights issued under employee option plan	<u>2,700</u>	<u>1,680</u>

30 Parent entity financial information

(a) Summary financial information

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

	2012 \$'000	2011 \$'000
Balance sheet		
Current assets	79,541	41,026
Non Current assets	88,652	88,423
Total assets	168,193	129,449
Current liabilities	59,842	30,992
Non Current liabilities	607	447
Total liabilities	60,449	31,439
<i>Shareholders' equity</i>		
Issued capital	61,749	68,735
Reserves	7,646	1,572
Retained earnings	38,349	27,702
	107,744	98,010
Profit or loss for the year	61,681	52,887
Total comprehensive income	61,681	52,887

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 47 to 85 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 2012 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
Richmond
14 August 2012



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 consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 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.

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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2012 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

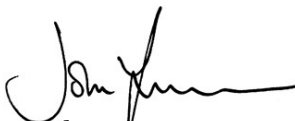
We have audited the remuneration report included in pages 12 to 26 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2012, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
14 August 2012

The shareholder information set out below was applicable as at 14 August 2012.

A. Distribution of equity securities

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

Holding	Class of equity security			
	Ordinary shares	Options and performance rights	Redeemable preference shares	Convertible notes
	Shares			
1 - 1,000	1,344	-	-	-
1,001 - 5,000	1,793	6	-	-
5,001 - 10,000	440	12	-	-
10,001 - 100,000	334	27	-	-
100,001 and over	89	12	-	-
	4,000	57	-	-

There were 66 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:

Name	Ordinary shares	
	Number held	Percentage of issued shares
J P Morgan Nominees Australia Limited	59,431,192	25.4
HSBC Custody Nominees (Australia) Limited	35,294,907	15.1
National Nominees Limited	29,461,090	12.6
Walter Pisciotta	19,279,807	8.3
Cogent Nominees Pty Limited	14,582,276	6.2
Citicorp Nominees Pty Limited	12,016,794	5.1
Gregory Paul Roebuck	6,559,168	2.8
UBS Nominees Pty Ltd	3,594,199	1.5
Rod Dux	3,100,000	1.3
Steve Kloss	2,774,500	1.2
Peter Aitken	2,756,555	1.2
Grant Taylor	2,546,555	1.1
Bill Robinson	2,492,000	1.1
Geoff Brady	2,000,000	0.9
Garry Hoover	1,725,000	0.7
Essena Pty Ltd	1,711,722	0.7
Mr Andrew Gajtan Curmi	1,280,500	0.5
Richard Collins	1,236,750	0.5
Smallco Investment Manager Ltd	1,157,390	0.5
Shane Pettiona	1,100,000	0.5
	204,100,405	87.2

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Ltd Employee Option Plan to take up ordinary shares	5,616,122	57

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Wilson HTM Group Ltd	28,774,328	12.3
Walter Pisciotta	19,120,289	8.2
FMR LLC and FIL	14,747,306	6.3
Arnhem Investment Management Pty Ltd	13,995,262	6.0
Paradice Investment Management Pty Ltd	12,551,538	5.4

The substantial holders' shares held were as at 30 May 2012 except for FMR LLC and FIL which has been adjusted in accordance with their "change in substantial holding" announcement lodged with the ASX during June 2012.

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.