



Annual Report 2013

carsales  com ltd

ABN 91-074-444-018

Corporate directory

Directors

Wal Pisciotta (Non-Executive 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)
Steve Kloss (Alternate Non-Executive Director)

Company secretary

Cameron McIntyre

Principal registered office in Australia

Level 4, 449 Punt Road
Richmond Vic 3121

T: +61 3 9093 8600
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

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Stock exchange

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

ASX: CRZ

carsales.com Ltd
Annual report - 30 June 2013

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Results for Announcement to
the Market

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Up	17%	to	215,118
Profit from ordinary activities after tax attributable to members	Up	17%	to	83,516
Net profit for the period attributable to members	Up	17%	to	83,516
Dividends / Distributions	Amount per security		Franked amount per security	
2012 Final Dividend paid	13.2 cents		13.2 cents	
2012 Special Dividend paid	6.0 cents		6.0 cents	
2013 Interim Dividend paid	12.7 cents		12.7 cents	
2013 Final Dividend declared	15.6 cents		15.6 cents	

Record date for determining entitlements to the dividends
Dividend payable

11th September 2013
25th September 2013

Net tangible assets

Net tangible assets backing per ordinary share is 30.20 cents (2012: 20.44 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 2013 Financial Report.

“This year has been yet another stellar performance of this great company and once again we are delighted to be presenting record financial results.”

Wal Pisciotta



Chairman's Letter to shareholders

Chairman's letter to shareholders

Dear shareholders,

The Board is pleased to present to shareholders the carsales.com Ltd's Annual Report for financial year ending June 30, 2013. This year has been yet another stellar performance of this great company and once again we are delighted to be presenting record financial results, which continue to demonstrate our ongoing strategic strength and execution capability.

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

- **Revenue up 17% on previous corresponding period (pcp) from \$184.2m to \$215.1m.**
- **Earnings before interest, tax, depreciation and amortisation (EBITDA) up 19% on pcp from \$101.3m to \$120.1m.**
- **EBITDA margins rising on pcp from 55.0% to 55.8%.**
- **Net Profit (after tax) up 17% on pcp from \$71.6m to \$83.5m.**
- **Operating cash flow up 22% on pcp from \$74.2m to \$90.8m.**

The Board has declared a final 2013 dividend of 15.6 cents per share fully franked, taking the total dividends paid for the year to 28.3 cents per share. The dividend payment will have a record date of 11 September 2013 and a payment date of 25 September 2013.

Ever since the birth of carsales in mid 1996 each year has produced many telling milestones that have propelled the Company forward and this year is no different to any other in that sense. FY2013 will be a year marked with some great achievements in product, technology and the expansion of our interests into new global markets while continuing the further development of new and existing opportunities for the Company.

Anyone that knows anything about carsales understands the significance of our ongoing investment in technology and product. With more than one hundred people in these teams this year was a year in which we achieved a great deal, launching a number of unique products that will delight our customers and consumers and continue to set our business apart from the competitive market in which we participate.

Amongst the success in the development of organic opportunities over the past twelve months, we have continued to look for potential partnership and acquisition opportunities.

This year we were pleased to announce two important strategic investments in both South East Asia and Brazil through our minority shareholdings in iCar Asia and Webmotors SA. Both of these investments will ensure our access to high growth markets and enable us where appropriate to leverage the world class intellectual property we have developed over time.

carsales.com Ltd continues to be well positioned for the future despite the market challenges and headwinds in the domestic automotive industry. Once again I am pleased to report that we are continuing to work on many, many exciting initiatives that we expect will support our future tomorrow and that will enable us to extend and/or reinforce our core capabilities while enabling the continued evolution of our people and culture.

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

As noted in the Remuneration Report, the Board has over the past twelve months conducted a review of remuneration benchmarking and structures of key executives through an engagement of the Hay Group. This review was conducted to ensure the Company continues to be well placed in the retention of top talent while at the same time also meeting the expectations of shareholders through the development of appropriate remuneration structures.

In December last year we were pleased to be advised by the Australian Stock Exchange of our admission into the coveted ASX100. As a Board we see this amongst other things as being the result of not just the financial capability of the Company but also a reflection of the ongoing confidence of our shareholders in the ability of both the Board and management and for this we are grateful.

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 would also like to once again thank Greg Roebuck and his team, for another excellent year. Their dedication, hard work and commitment to carsales has again been a testament to them all.

Yours sincerely,



Wal Pisciotto
Chairman
14 August 2013

Managing Director's Review of operations

Managing Director's review of operations

Dear shareholders,

Once again, the carsales.com business has had a great year with many highlights and achievements. All of us at carsales are extremely proud of the business and it shows in many ways. Hopefully you are all using one or more of our sites regularly and are seeing the huge number of world class innovations we continue to deliver.

We've settled into our new head office in Richmond and those of you that are Melbourne based will no doubt have seen our fantastic signage. For those not Melbourne based, there's a picture of it elsewhere in this Annual Report. With excellent exposure to one of Melbourne's busiest roads (Punt Road) and to the M1 Freeway, it's already possible to simply ask a taxi driver "take me to the carsales building" and they'll know where to go!

As I did last year, I'd like to update you on some of the key operating parts of the business:

MediaMotive - responsible for display advertising across our network

With our network of sites driving in-market consumers, it's no wonder that advertisers looking to influence this audience want to work with MediaMotive. With solutions across a wide range of categories including cars, motorbikes, boats, trucks and equipment all operating across a wide range of devices including desktops, mobile phones and tablets; the team has continued to expand to accommodate the strong growth in demand.

This part of the business continues to outperform and with many innovative solutions already available and with more to come, MediaMotive should continue to deliver good growth in future years.

Private Seller - the market place for consumers wanting to sell their cars; motorbikes etc.

We continue to invest strongly into the Private Seller part of our business. After all, people selling are also people buying. Protection from the nastier side of the Internet: the fraudsters and scammers, is a key focus. While it is a continually evolving space, we would rank ourselves as a far, far safer place for buyers and sellers than any of our competitors.

Our prices for private advertisers in the key market of cars have once again remained steady. This approach has seen us continue to be the number one choice for car sellers and ensured our market leading position continues to grow.

Dealer - the commercial seller part of the business and includes car dealers; truck dealers; motorbike dealers etc.

We've again seen strong growth in the Dealer part of our business. We put our lead fees for car dealers up in February this year - our first price change of this product in five years. We have put significant effort into the Field Services team to ensure our dealer customers are getting

the best possible results from the systems and solutions we deliver them. Our field based staff and our office based customer service staff are the envy of our Industry as they help our core customer group to leverage the growing number of consumers choosing to find their products online.

Quicksales - "sell anything - for free!"

This part of the business continues to see substantial change. We've invested in people, product and marketing. As a result, we have seen items for sale grow nearly 80% in the last 12 months and traffic has also grown well. As the only truly Australian site of any scale, we're very pleased with the progress we are making. It is a long term strategy and as a result will continue to require significant investment over many years, but the prize is worth the pain. If you haven't already, I recommend you try quicksales.com for buying and selling pretty much anything!

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

Another strong performance this year from this key part of the business. High value, low cost, recurring revenue products are the core of this area. Leveraging our strong technology capability to deliver great solutions amortised across hundreds or thousands of dealer customers. Highlights are LiveMarket; Photography solutions; and search engines. Numerous new products are expected over the coming year.

International - iCar Asia and WebMotors Brazil

This year saw us make investments in two offshore operations. The first was iCar Asia which operates car classified businesses in Thailand, Malaysia and Indonesia. We currently own approximately 19.9% of this business which is listed on the ASX under ticker code ICU. We're pleased to be working with a business that is making great progress in an exciting part of the world.

The second investment was in Brazil's market leading automotive website: webmotors.br. Brazil is the world's fourth largest car market and its growth profile is very attractive. carsales.com Ltd. owns approximately 30% of the WebMotors business with the other approximately 70% owned by one of the world's biggest banks: Santander.

In closing, we've had a great year, delivered some world class innovations, extended our lead over our competitors, introduced new verticals, invested into new markets and continued to grow all areas of the core business. We truly have a world class team who I am enormously proud of. I'd like to publically thank each and every one of them.

Thank you for your continued support.

Yours sincerely,



Greg Roebuck
Managing Director and CEO
14 August 2013

“All of us at carsales are extremely proud of the business and it shows in many ways. Hopefully you are all using one or more of our sites regularly and are seeing the huge number of world class innovations we continue to deliver.”

Greg Roebuck



Directors' Report

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd, the entities it controlled, the investments in associates and a joint venture at the end of, or during, the year ended 30 June 2013.

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 Pesciotta	(Non-Executive 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)
Steve Kloss	(Alternate Non-Executive Director)

Principal activities

carsales.com Ltd principle activities during the course of the financial year consisted of online classified and display advertising. As well as this carsales provides a number of software, data and other services predominantly sold to customers in the automotive industry.

There have been no significant changes in these activities during the course of the last financial year.

Dividends - carsales.com Ltd

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

	2013 \$'000	2012 \$'000
Final fully franked cash dividend for the year ended 30 June 2012 of 13.2 cents (2011 - 10.5 cents) per share and a special dividend of 6.0 cents per share paid on 25 September 2012.	45,100	24,630
Interim fully franked ordinary dividend for the year ended 30 June 2013 of 12.7 cents (2012 - 11.3 cents) per share paid on 10 April 2013.	29,986	26,405
	75,086	51,035

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of \$36,827,000 (15.6 cents per fully paid ordinary share) to be paid on 25th September 2013 out of retained profits at 30 June 2013.

Review of operations

Financial Highlights

- Financial performance throughout the last twelve months continued to be solid with operating revenue rising to \$215,118,000, up 17% on the prior comparative period. From a customer point of view there were a number of revenue highlights during the course of the year which contributed to the overall performance:
 - (a) **Dealer revenue** growth rates were maintained at a solid rate throughout H2 FY2013, with the Feb price change combined with continued growth in enquiries in automotive being the key drivers. Total automotive dealer customers continued to grow at a steady rate through H2 FY2013 and ending the financial year at just under 3,200.
 - (b) Our **display** business MediaMotive had a solid H2 FY2013 recording revenue growth of 21% and ending another impressive year, up 25% for FY2013 on pcp.
 - (c) **Private** performed in line with H1 FY2013 up 7% on pcp, with new products and product upsells continuing to be the key drivers of growth along with ad volumes in non-automotive verticals.
 - (d) **Dealer and Data services** up a solid 16% on pcp. Another very successful year with DataMotive and DataMotive products such as LiveMarket continuing to perform very well.
- Earnings also remained strong with EBITDA up 19% on the prior comparative period to \$120,127,000 and EBITDA margins increasing to close to 56%.

- Cash flows were also pleasing with operating cash flow of \$90,751,000, up 22% on pcp.
- The balance sheet of the Company remains very robust, with working capital levels remaining low, capital expenditure of \$2,836,000 was 51% less than the same time last year as a result of the relocation of the Melbourne head office facility in December 2011. For the first time in a number of years the Company took on \$55,000,000 in debt to fund two acquisitions during the course of the year as outlined below.

Operational Highlights

- Enquiry volumes continued to perform well with automotive dealer enquiry growth up 9% on the prior comparative period. Enquiry volumes on new cars were up 23% on prior comparative period.
- Automotive inventory grew 8% to ~233,000 cars. New car inventory which is an area of some focus increased 4% on the prior comparative period to ~51,000 vehicles.
- The non-automotive verticals particularly industry based sites performed well in all metrics.
- The quicksales.com.au strategy continues to evolve with a number of new product features released. The continued investment in this key marketplace is ongoing.
- The Company continued to invest heavily in mobile platforms which remains an area of focus as traffic from mobile devices continues to rise.
- There were a significant number of substantial product developments that were released to the market during the past twelve months in all parts of the business, but per the point above there was a substantial focus on mobi and app product developments.
- This year the Company invested in two offshore companies that operate online automotive sites. These investments were in iCar Asia (South East Asia) an ASX listed operator of online automotive classified sites in Thailand, Malaysia and Indonesia. The Company acquired a 19.9% interest in the equity of iCar Asia. In late June the Company also acquired 30% of the equity in Webmotors SA (Brazil) the largest online automotive classifieds site in Brazil. Both of these acquisitions were funded using a combination of cash and debt.
- In March the Company launched tyresales.com.au which is a joint venture between carsales.com Ltd and Digital Niche a Western Australian based company.

Outlook

- Trading in the first six weeks since 30 June has shown solid pcp growth. A more detailed trading update will be provided at the October Annual General Meeting.
- Mobile traffic will continue to grow as a percentage of overall traffic as consumer behaviour and our development efforts continue to shift in this direction.
- Aside from the focus on our core business and domestic market opportunities the company will also be working hard with the new international partners to build our investments in South East Asia and South America over the coming twelve months.

Strategy

- The strategy of the Company is to continue to strengthen and grow its core business units through ongoing product innovation, while pro-actively seeking opportunities to leverage developed intellectual property in other adjacent or geographic high growth markets.

Risk

Being a complex business in a growth market carries with it a number of risks that the Company manages including but not limited to:

- Maintenance of Professional Reputation and Brand Name - The success of carsales is heavily reliant on its reputation and branding. Unforeseen issues or events, which place carsales' reputation at risk, may impact on its future growth and profitability.
- Relationship with Dealers - carsales derives a significant proportion of its revenue from motor vehicle dealers. A change in the size and/or structure of this market could impact carsales' earnings. In particular, consolidation of the market with fewer larger dealers, or increased manufacturer control of dealer's online advertising activity may impact upon the prospects of carsales.

In addition the majority of carsales' revenue is generated under monthly agreements with motor vehicle dealers. Should a significant number of dealers cancel or fail to renew their agreements, this may have an adverse effect on the financial performance of carsales.

- Competition - The online automotive advertising industry is highly competitive. carsales' performance could be adversely affected if existing or new competitors reduce carsales' market share from its current level.
- Downturn in the Motor Vehicle or General Advertising Market - The performance of carsales will continue to be influenced by the overall condition of the motor vehicle market. The motor vehicle market is influenced by the general condition of the Australian economy, which by its nature is cyclical and subject to change. In addition, carsales derives a significant proportion of its revenue from display advertisers on its network of websites. A decline in the advertising market as a result of broader economic influences could have a negative impact on carsales' earnings.
- Information Technology - carsales' business operations rely on IT infrastructure and systems. Any interruptions to these operations could impair carsales' ability to operate its customer facing websites which could have a negative impact on carsales' performance.
- carsales' future performance will also depend on its ability to monitor and manage major projects such as website upgrades and other projects involving its IT infrastructure.

Significant changes in the state of affairs

During the financial year the Company expanded geographically by investing in two offshore companies which operate online automotive sites. These investments were in iCar Asia (South East Asia) an ASX listed operator of online automotive classified sites in Thailand, Malaysia and Indonesia. The Company invested \$13,400,000 to acquire 19.9% interest in the equity of iCar Asia. In late June the Company invested a further \$90,500,000 to acquire 30% of the equity in Webmotors SA (Brazil) the largest online automotive classifieds site in Brazil.

To fund these acquisitions the Company used a combination of both cash and debt. The debt was acquired using an established \$95,000,000 facility with the National Australia Bank. This facility is structured into two components. The first component or facility A is a \$55,000,000 facility which is due for repayment and expires on the 30 June 2014. The second component or facility B is a \$40,000,000 facility that increases to \$95,000,000 on the repayment and expiry of facility A and matures on 31 July 2016. Facility A will be repaid out of excess cash and debt.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2013 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.

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

Interests in shares and options

14,711,222 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 30 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

5,382,891 ordinary shares held in carsales.com Ltd.
1,019,637 options and 137,442 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 34 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

991,750 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 and Little Company of Mary Health.

Interests in shares and options

5,376 ordinary shares held in carsales.com Ltd.
No options or performance rights held over ordinary shares in carsales.com Ltd.

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 30 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 28 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 21 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 holds 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 20 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practising Accountant and a graduate of the Harvard Business School's General Management Program.

Interests in shares and options

200,000 ordinary shares held in carsales.com Ltd.
313,255 options and 63,268 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 2013 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit and risk		Remuneration and nomination	
			A	B	A	B
W Pisciotta (Board Chairman)	18	18	**	**	3	3
G Roebuck	18	18	**	**	**	**
R Collins (Chairman - Remuneration and Nomination)	16	18	4	4	3	3
I Law (Chairman - Audit and Risk management)	17	18	3	4	2	3
P O'Sullivan	17	18	4	4	**	**
K Anderson	17	18	4	4	**	**
S Kloss (Alternate Director)	10	18	**	**	**	**

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.

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 to operational performance.

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 26 October 2012.

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 \$900,000 per annum. The Directors determine how these are to be shared by the Directors.

During the year ended 30 June 2013 the Non-Executive Directors received a 27.2% increase in their annual fees, effective from 1 November 2012. The change in remuneration was as a result of the findings of a benchmarking exercise which reviewed Board remuneration relative to peer companies. The annualised fees paid to the Board post 1 November 2012 remuneration increase remain comfortably below the \$900,000 pool approved by shareholders.

The following fee table applies:

	\$
Chairman fee	157,162
Deputy Chairman fee	115,000
Base Director fee	102,497
Alternate Director fee	51,250
First Committee	10,250
Second Committee	13,666

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.

Short-term incentives (STI)

Short term incentives (STI) are paid to key executives in the form of an annual cash payment on the achievement of objectives as described below.

The size of the STI opportunity available to each key executive is based on their accountabilities and impact of the role on the organisation or business unit(s) that they lead.

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 an STI.

The KPI's linked to STI plans contain 3 major components and within each component are a series of objectives:

- Financial performance (50 - 75% of On-target Earnings Value): The financial objectives set against key executives relate to performance against the Board approved annual budget. The targets set in this component of the plan will normally relate to the achievement against:
 - (a) Company Revenue
 - (b) Company EBITDA
 - (c) Business Revenue and EBITDA, where relevant.

This section of the plan also enables the executive to earn up to 175% of on-target earnings for over achievement against each of the above mentioned objectives.

Budgeted financial objectives are always set in the context of ensuring that the Company is mindful of expected consensus earnings.

- **Project delivery (15 - 50% of On-target Earnings Value):** The project objectives set involve the execution of pre-determined project targets that each key executive is responsible for the delivery of. Projects will include the deployment of new products, large business initiatives or market objectives. Examples may include the deployment of carsales on Windows 8 platform, minimum 4 star rating of carsales on iPhone/iPad and Android app store ratings, implementation of a new call centre environment, the commercialisation of tyresales.com.au and so on.

There is no ability for a key executive to earn more than the on-target KPI value in this section of the plan.

- **People & culture (10 - 15% of On-target Earnings Value):** carsales is a business that prides itself on having a highly engaged and motivated workforce with a strong sense of values, culture and passion for what we do. The people and culture section of the plan is designed to ensure that key management are incented to nurture and build on these principles and values. Each key executive has performance objectives which include:
 - (a) Development and maintenance of succession plans
 - (b) Salary and performance reviews being completed on a timely basis
 - (c) Staff retention rates
 - (d) Annual Employee Opinion Survey results performance

There is no ability for a key executive to earn more than the on-target KPI value in this section of the plan.

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.

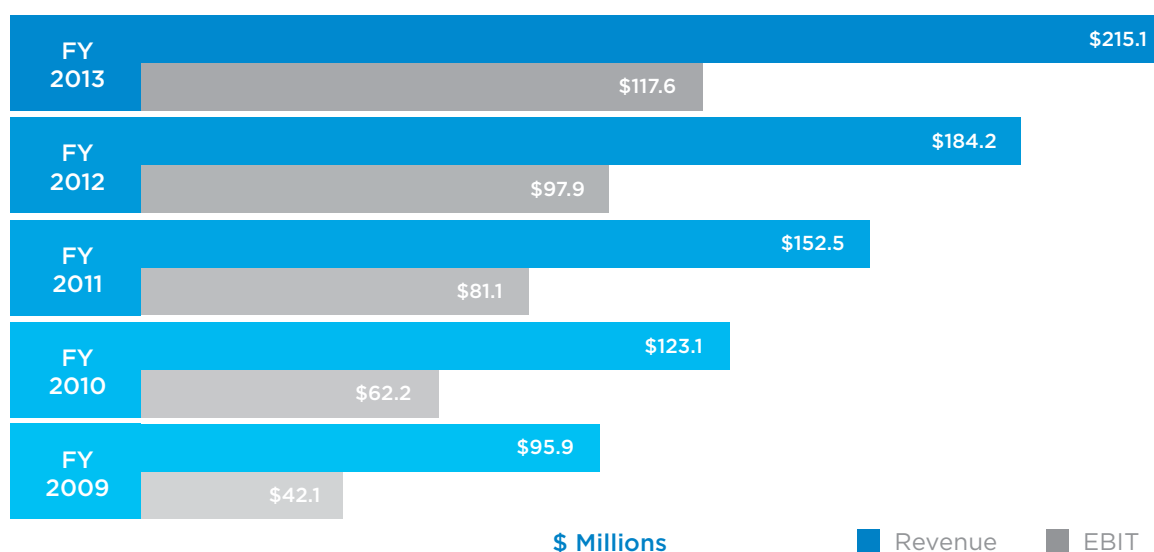
Key executives that leave during the financial year are paid a pro-rata share of their STI entitlements unless their departure is under adverse conditions.

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.

Group Performance

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



The FY2013 EBIT excludes the share of loss from associates.

The following table shows relationship between remuneration of key management personnel and carsales.com Ltd performance:

	2009	2010	2011	2012	2013
Profit for the year attributable to owners of carsales.com Ltd (\$'000)	30,675	43,235	58,260	71,589	83,516
Basic earnings per share (cents)	13.3	18.6	25.0	30.6	35.5
Dividend payments (\$'000)	23,599	33,408	41,346	51,035	75,086
Dividend payout ratio (%)	76.9	77.3	71.0	71.3	89.9
Increase/(decrease) in share price (%)	N/A	19.3	(1.3)	27.7	57.2
Total KMP incentives as percentage of profit for the year (%)	3.4	4.0	4.2	4.4	3.4

Use of Remuneration Advisors

To ensure that the Remuneration and Nomination Committee is fully informed on current market practices and trends in remuneration, regulatory developments and shareholder views, the Remuneration and Nomination Committee approved the engagement of Hay Group during the year. Hay Group provided remuneration recommendations regarding STI and LTI design for a new structure to be implemented in FY2014 along with executive remuneration benchmarking.

Both Hay Group and the Remuneration and Nomination Committee are satisfied the recommendations received are free from undue influence from the key management personnel (KMP) to whom the remuneration recommendations apply. The following arrangements were made to meet this requirement:

- Hay Group was engaged by and reported to the chair of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration and Nomination Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations was provided by Hay Group directly to the chair of the Remuneration and Nomination Committee; and
- Hay Group was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Hay Group were not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

The recommendations made by Hay Group to the Remuneration and Nomination Committee were as an input into decision making only. The committee considered these along with other factors when making its remuneration decisions which are reflected in the 2013 remuneration report values.

The fees paid to Hay Group for the remuneration recommendations were \$45,979.

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 16-17 above) and those key executives that report directly to the Managing Director being:

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

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 Managing Director	C McIntyre Chief Financial Officer	A Bhatia Chief Information Officer	A Saines Commercial Director	P Barlow Strategy Director	D Hardy Dealer & Data Services Director
Base Salary*	935,614	550,000	380,000	375,000	350,000	300,000
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	6 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 (including superannuation) as at 30 June 2013. Key management personnel received a salary increase on 1 July 2012.

Key management personnel of the Group

2013	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments		
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Long service leave \$	Options \$	Performance rights \$	Total \$
Non-executive directors								
Wal Pisciotta	156,251	-	-	-	-	-	-	156,251
Richard Collins	115,891	-	-	10,430	-	-	-	126,321
Pat O'Sullivan	96,542	-	-	8,689	-	-	-	105,231
Ian Law	118,947	-	-	10,705	-	-	-	129,652
Kim Anderson	96,542	-	-	8,689	-	-	-	105,231
Steve Kloss (Alternate)	47,833	-	-	-	-	-	-	47,833
Sub-total Non-executive directors	632,006	-	-	38,513	-	-	-	670,519
Executive director								
Greg Roebuck	951,208	550,000	39,783	16,470	28,719	402,603	272,938	2,261,721
Other key management personnel and executives (Group)								
Cameron McIntyre	552,127	170,000	-	16,470	22,913	205,108	129,804	1,096,422
Damian Hardy	283,530	57,175	-	16,470	3,937	127,555	64,358	553,025
Anthony Saines	358,530	175,000	-	16,470	7,332	141,436	81,126	779,894
Ajay Bhatia	363,530	100,000	-	16,470	7,143	122,961	60,733	670,837
Paul Barlow	333,530	63,206	-	16,470	6,287	88,505	42,509	550,507
Total key management personnel compensation (Group)	3,474,461	1,115,381	39,783	137,333	76,331	1,088,168	651,468	6,582,925

2012	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments		
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Options \$	Performance rights \$	Total \$
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

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

	Fixed remuneration		At risk - STI		At risk - LTI*	
Directors of carsales.com Ltd	2013	2012	2013	2012	2013	2012
Wal Pisciotta	100%	100%	-	-	-	-
Greg Roebuck	46%	49%	24%	24%	30%	27%
Richard Collins	100%	100%	-	-	-	-
Pat O'Sullivan	100%	100%	-	-	-	-
Ian Law	100%	100%	-	-	-	-
Kim Anderson	100%	100%	-	-	-	-
Steve Kloss	100%	100%	-	-	-	-
Other key management personnel of the Group						
Cameron McIntyre	53%	45%	16%	18%	31%	37%
Damian Hardy	55%	46%	10%	11%	35%	43%
Anthony Saines	49%	39%	22%	29%	29%	32%
Ajay Bhatia	58%	52%	15%	11%	27%	37%
Paul Barlow	65%	56%	11%	12%	24%	32%

* 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 director's 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.

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 achievements 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
	Aug-13	50%	0.302	100%	0.318	100%	0.355
Year ending 30 June 2012	Aug-12	50%	0.282	100%	0.296	100%	0.306
	Aug-13	50%	0.329	100%	0.346	100%	0.355
Year ending 30 June 2013	Aug-14	50%	***	100%	***	To be determined	n/a
	Aug-15	50%	***	100%	***	To be determined	n/a

*** EPS targets for FY14 and FY15 based on company and market earnings expectations.

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 exercise 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 selected EPS to be the most appropriate target on which to apply its Long-term Incentive program. The rationale for this choice has historically 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. The Board continues to believe that EPS is the most appropriate measure that best aligns the interest of shareholders with those of management.

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 17 December 2009 Managing Director, 25 March 2010 senior executive employees)

500,000 options were issued to the Managing Director on 17 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 21 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 executives and several other select employees on 25 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 30 June 2010.

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

FY2011 Award

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

500,000 options were issued to the Managing Director on 26 of October 2010, with an exercise price of \$4.90. These options were approved by shareholders at the AGM held on 26 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.
- 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 26 October 2011 Managing Director, March 2012 senior executive employees)

321,034* options and 87,720* performance rights were issued to the Managing Director on 26 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 26 October 2011.

*There has been a decrease of 21,566 options and an increase of 3,811 performance rights.

In addition, 716,100 options and 175,385 performance rights were issued to senior executives on 26 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 25 March 2012.

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

FY2013 Award

(Issue date 26 October 2012 Managing Director, and senior executive employees)

198,603 options and 69,640 performance rights were issued to the Managing Director on 26 October 2012, with an exercise price of \$5.93 for employee share options and \$0.00 for performance rights. These options were approved by shareholders at the AGM held on 26 October 2012.

In addition, 346,406 options and 121,466 performance rights were issued to senior executives on 26 October 2012, with an exercise price of \$5.93 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:

- 40% with a testing date 30 June 2014 (Year 2), exercisable after the Board releases the 2014 Annual Report to the ASX.
- 60% with a testing date 30 June 2015 (Year 3), exercisable after the Board releases the 2015 Annual Report to the ASX.

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

- 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 2 years of the vesting period. The target for the third year, namely the period ending 30 June 2015, has been set at a minimum aggregate growth rate over the three year period of 15.2% and a maximum aggregate growth rate over the three year period of 24.0%.

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%.

182,863 options and 66,117 performance rights were issued to several other select employees on the 26th October 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:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value at grant date	% Vested	Performance achieved
September 2008	September 2011	September 2013	\$2.00	\$0.21	100	Yes
July 2009	September 2012	September 2014	\$2.00	\$0.36	100	Yes
December 2009	June 2010	June 2014	\$3.89	\$0.98	100	Yes
March 2010	October 2012	October 2014	\$3.89	\$2.01	100	Yes
October 2010	August 2011	October 2015	\$4.90	\$0.95	100	Yes
October 2010	August 2012	October 2015	\$4.90	\$1.16	100	Yes
October 2010	August 2013	October 2015	\$4.90	\$1.32	N/A	To be determined
October 2011	August 2012	October 2016	\$4.69	\$0.96	100	Yes
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	100	Yes
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
October 2012	August 2014	October 2017	\$5.93	\$2.33	N/A	To be determined
October 2012	August 2015	October 2017	\$5.93	\$2.43	N/A	To be determined
October 2012	August 2014	October 2017	\$0.00	\$6.96	N/A	To be determined
October 2012	August 2015	October 2017	\$0.00	\$6.73	N/A	To be determined

\$0.00 exercise price represents performance rights.

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 31 to the financial statements.

	Number of options granted during the year 2013	Number of performance rights granted during the year 2013	\$ Value of options at grant date 2013	\$ Value of performance rights at grant date 2013	Number of options vested during the year 2013
Executive director					
G Roebuck	198,603	69,640	475,000	475,000	225,176
Other Key management personnel and executives (Group)					
C McIntyre	83,619	29,322	200,000	200,000	323,933
D Hardy	41,810	14,661	100,000	100,000	260,872
A Saines	52,262	18,326	125,000	125,000	189,177
A Bhatia	41,810	14,661	100,000	100,000	177,738
P Barlow	27,385	9,603	65,500	65,500	139,279

Shares provided on exercise of remuneration options and performance rights

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.

	Date of exercise of options and performance rights	Number of ordinary shares issued on exercise of options and performance rights during the year	Value at exercise date * 2013
Directors of carsales.com Ltd			
G Roebuck	August 2012	19,918	145,003
	September 2012	650,000	3,027,500
Other key management personnel and executives of the Group			
C McIntyre	August 2012	10,566	76,920
	September 2012	180,000	670,400
	November 2012	183,367	651,434
D Hardy	August 2012	5,204	37,885
	September 2012	32,653	78,367
	March 2013	192,500	1,111,775
A Saines	August 2012	39,177	132,441
	September 2012	75,000	180,000
	November 2012	112,500	425,250
A Bhatia	August 2012	27,738	93,772
	September 2012	75,000	180,000
	November 2012	112,500	442,125
P Barlow	August 2012	3,461	25,196

* The value at the exercise date of options and performance rights that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options and performance rights 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 2012	\$0.00
August 2012	\$4.69
September 2012	\$2.00
September 2012	\$3.89
September 2012	\$4.90
November 2012	\$3.89
November 2012	\$4.69
March 2013	\$2.00
March 2013	\$3.89

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

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.

	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	105	-	2011	100	-		-	-
			2011	-	-	2014*	-	19,418
			2012	100	-		-	-
			2012	-	-	2014*	-	17,136
			2012	-	-	2015*	-	155,235
			2013	-	-	2015*	-	241,818
			2013	-	-	2016*	-	435,882
C McIntyre	97	3	2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2014*	-	8,252
			2012	100	-		-	-
			2012	-	-	2014*	-	8,676
			2012	-	-	2015*	-	80,200
			2013	-	-	2015*	-	101,818
D Hardy	95	5	2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2014*	-	6,189
			2012	100	-		-	-
			2012	-	-	2014*	-	4,273
			2012	-	-	2015*	-	39,498
			2013	-	-	2015*	-	50,910
A Saines	125	-	2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2014*	-	6,189
			2012	100	-		-	-
			2012	-	-	2014*	-	5,422
			2012	-	-	2015*	-	50,125
			2013	-	-	2015*	-	63,636
A Bhatia	133	-	2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2014*	-	6,189
			2012	100	-		-	-
			2012	-	-	2014*	-	3,839
			2012	-	-	2015*	-	35,487
			2013	-	-	2015*	-	50,910
P Barlow	84	16	2010	100	-		-	-
			2011	100	-		-	-
			2011	-	-	2014*	-	4,127
			2012	100	-		-	-
			2012	-	-	2014*	-	2,842
			2012	-	-	2015*	-	26,265
			2013	-	-	2015*	-	33,346
			2013	-	-	2016*	-	60,106

* Vesting is contingent upon board approval. Options are exercisable after the Board release the results to ASX in August each year.

Shares under option and performance rights

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	7,000	
Sep-2008	Sep-2013	\$2.00	20,000	
Mar-2010	Oct-2014	\$3.89	157,500	
Oct-2010	Oct-2015	\$4.90	1,067,347	
Mar-2011	Oct-2015	\$4.90	450,000	
Oct-2011	Oct-2016	\$4.69	882,335	
Oct-2011	Oct-2016	\$0.00		201,544
Mar-2012	Mar-2017	\$4.69	208,247	
Mar-2012	Mar-2017	\$0.00		66,399
Oct-2012	Oct-2017	\$5.93	727,872	
Oct-2012	Oct-2017	\$0.00		257,223
			3,520,301	525,166

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 2013.

Shares issued on the exercise of options and performance rights

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2013 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 and performance rights exercised	Issue price of shares	Number of shares issued
Aug-2012	\$4.69	72,703
Aug-2012	\$0.00	61,551
Sep-2012	\$1.75	10,000
Sep-2012	\$2.15	70,000
Sep-2012	\$2.00	590,000
Sep-2012	\$3.89	250,000
Sep-2012	\$4.90	332,653
Sep-2012	\$4.69	13,029
Oct-2012	\$1.75	10,000
Oct-2012	\$2.15	10,000
Oct-2012	\$2.00	20,000
Oct-2012	\$4.90	25,000
Oct-2012	\$4.69	8,469
Nov-2012	\$1.75	10,000
Nov-2012	\$2.00	5,000
Nov-2012	\$3.89	531,250
Nov-2012	\$4.69	52,117
Dec-2012	\$3.89	7,500
Feb-2013	\$3.89	15,000
Mar-2013	\$2.00	120,000
Mar-2013	\$3.89	190,000
Mar-2013	\$4.90	12,500
Apr-2013	\$3.89	7,500
Apr-2013	\$4.90	12,500
Apr-2013	\$4.69	8,469
May-2013	\$3.89	22,500
Jun-2013	\$1.75	5,000
Jun-2013	\$2.00	5,000
Jun-2013	\$3.89	15,000
		2,492,741

Insurance of officers

During the financial year, carsales.com Ltd paid a D&O insurance premium of \$53,326 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 willful 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.

The substantial increase year on year pertains to services provided for acquisition of iCar Asia Limited, Webmotors SA and Trading Post (which was unsuccessful).

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	
	2013 \$	2012 \$
Other assurance services		
PwC Australian firm		
Due diligence services	289,000	89,410
Controls assurance services	15,000	50,000
Total remuneration for other assurance services	304,000	139,410
Taxation services		
PwC Australian firm		
Tax compliance services	48,000	41,500
Tax consulting and tax advice on acquisitions	61,000	18,889
Total remuneration for taxation services	109,000	60,389
Total remuneration for non-audit services	413,000	199,799

Sustainability

carsales.com Ltd is committed to being a corporate citizen of good standing and implementing practical 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.

During the FY2014 the Company intends to undertake a review of our sustainability programs and will update shareholders on the progress of program developments in the FY2014 annual report.

Corporate Social Responsibility

carsales.com Ltd 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 Peter Mac Cancer institute. 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 36.

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.

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



Wal Pisciotta
Chairman



Greg Roebuck
Managing Director and CEO
Sydney, 14 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Ltd for the year ended 30 June 2013, 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.

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
14 August 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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“Our field based staff and our office based customer service staff are the envy of our Industry as they help our core customer group to leverage the growing number of consumers choosing to find their products online.”

Greg Roebuck

Corporate Governance Statement

Corporate Governance Statement

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 operating budget and 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;
- 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 4.1 of this Statement.

An outline of the responsibilities of the Remuneration and Nomination Committee is also contained within Section 8.1 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 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.

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 Non-Executive Director)

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 - Committee Chairman (Independent)

Mr W Pisciotta

Mr I Law (Independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 17.

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 8.1 of this statement.

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 40 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.

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
- 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 22 and note 25 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 17 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, are committed to maintaining the highest standards of integrity and seek 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.

3.2 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 FY13 29% 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	In FY13 we promoted 9 women in to management or more senior leadership positions. The Company's mentoring program currently consists of 30% women. Of our Leadership program, 35% 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 18 females in leadership positions from across the business. The Group has grown by 29% since February 2012. Agenda items include networking, communication, career paths and inspiring guest speakers.
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 FY13, of our current employees, 6 took maternity leave and we are currently working closely with them to provide a flexible re-entry to the business.

On 13th May 2013, as per the Workplace Gender Equality Act 2012, the Company submitted its report with the Workplace Gender Equality Agency and the workplace profile from the report can be seen below:

Workplace Profile

	Women		Men		Casual		Total Staff	%	
	Full time	Part time	Full time	Part time	Women	Men		Women	Men
Board	1	0	5	0	0	0	6	17%	83%
Executive/Management	7	1	37	0	0	0	45	18%	82%
Staff	98	14	237	2	15	14	380	33%	67%
Total	106	15	279	2	15	14	431	32%	68%

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 - Committee Chairman (Independent)
Mr R Collins (Independent)
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 17.

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 92.

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.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is disclosed in note 23 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 the Annual 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'.

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 limits the economic risk of participating in unvested entitlements.

The Remuneration and Nomination Committee consists of the following Directors:

Mr R Collins - Committee Chairman (Independent)

Mr W Pisciotta

Mr I Law (Independent)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 17.

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.

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 22 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.

Financial Report

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This financial report covers the consolidated financial statement of the consolidated entity consisting of carsales.com Ltd, its subsidiaries, investments in associates and a joint venture. 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 7, the Managing Director's review of operations on page 9, and in the Directors' Report on page 13-35, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 14 August 2013. 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.

Consolidated statement of comprehensive income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue from continuing operations			
Sale of goods and services		215,118	184,206
Other revenue from ordinary activities		1,343	1,322
Revenue from continuing operations	5	216,461	185,528
Other Income	6	5	11
Expenses			
Sales and marketing expenses		(57,791)	(50,413)
Operations and administration		(20,689)	(18,466)
Service development and maintenance		(16,516)	(14,083)
Other expenses		(2,553)	(3,339)
Finance costs	7	(5)	(31)
Share of loss from associates net of tax		(232)	-
Profit before income tax		118,680	99,207
Income tax expense	8	(35,164)	(27,618)
Profit from continuing operations		83,516	71,589
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	20(a)	85	(2)
Total comprehensive income for the year		83,601	71,587
Profit is attributable to:			
Owners of carsales.com Ltd		83,516	71,589
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		83,601	71,587
Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:			
		Cents	Cents
Basic earnings per share	30	35.5	30.6
Diluted earnings per share	30	35.2	30.5

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

Consolidated statement of financial position

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	15,140	40,935
Receivables	10	31,262	30,243
Total current assets		46,402	71,178
Non-current assets			
Investments accounted for using the equity method	27	104,187	-
Property, plant and equipment	11	4,732	5,039
Deferred tax assets	12	6,638	5,094
Intangible assets	13	81,192	80,610
Total non-current assets		196,749	90,743
Total assets		243,151	161,921
LIABILITIES			
Current liabilities			
Payables	14	19,220	15,861
Borrowings	15	54,525	-
Current tax liabilities		7,544	9,241
Provisions	16	3,334	3,021
Other current liabilities	17	5,297	4,806
Total current liabilities		89,920	32,929
Non-current liabilities			
Provisions	18	721	607
Total liabilities		90,641	33,536
Net assets		152,510	128,385
EQUITY			
Contributed equity	19	70,104	61,749
Reserves	20(a)	14,908	7,568
Retained earnings	20(b)	67,498	59,068
Total equity		152,510	128,385

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

Consolidated statement of changes in equity

For the year ended 30 June 2013

	Attributable to owners of carsales.com Ltd			
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 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
Buy-back of shares	(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
Profit for the year	-	-	83,516	83,516
Exchange differences on translation of foreign operations	-	85	-	85
Total comprehensive income for the year	-	85	83,516	83,601

Transactions with owners in their capacity as owners:

Contributions of equity upon exercise of employee share options	8,355	-	-	8,355
Dividends provided for or paid	-	-	(75,086)	(75,086)
Increase in share-based payment reserve inclusive of tax	-	7,255	-	7,255
Balance at 30 June 2013	70,104	14,908	67,498	152,510

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

Consolidated statement of cash flows

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers (incl GST)		234,760	196,870
Payments to suppliers and employees (incl GST)		(110,837)	(94,261)
Interest received		1,343	1,322
Interest paid		(5)	(31)
Income taxes paid		(34,510)	(29,688)
Net cash inflow from operating activities	29	90,751	74,212
Cash flows from investing activities			
Payment for purchase of associates		(104,169)	-
Payments for property, plant and equipment		(1,268)	(5,349)
Payments for domain names		(13)	(23)
Net outstanding receipts (payment)		2,427	(2,500)
Payments for computer software		(1,555)	(235)
Proceeds from disposal of assets		13	11
Payment for investment in Joint Venture		(250)	-
Net cash (outflow) from investing activities		(104,815)	(8,096)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		8,355	3,013
Proceeds from borrowings		55,000	-
Payments for shares bought back		-	(9,999)
Dividends paid to company shareholders	21	(75,086)	(51,035)
Net cash (outflow) from financing activities		(11,731)	(58,021)
Net (decrease) increase in cash and cash equivalents		(25,795)	8,095
Cash and cash equivalents at the beginning of the financial year		40,935	32,840
Cash and cash equivalents at end of year	9	15,140	40,935

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. carsales.com Ltd is a for-profit entity for the purpose of preparing the financial statements.

(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.

(v) Going concern

The financial statements have been prepared on a going concern basis.

The net current liability position in the statement of financial position is temporary with the disclosed short-term loan forming part of our 3 year loan facility.

(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 2013 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.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (refer to note 27). Acquisition related costs of associates are capitalised.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

(iv) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

(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 Managing Director.

(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.

(iii) Interest income

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

(iv) Dividends

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

(f) Income tax

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

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

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

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

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

Tax consolidation legislation

carsales.com Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss 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 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss 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. 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 previously acquired deferred tax assets after the initial acquisition accounting is completed these will be recorded directly in profit or loss.

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

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement 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 uncollectable 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 uncollectable 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) 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.

(m) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss 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 on a straight line basis. 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.

(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 profit or loss 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 net against the loan 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.

(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 31.

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

(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, 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 are transferred to the share capital reserve.

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(v) Rounding of amounts

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 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.

We do not expect this standard to have a significant impact on our consolidation, associates and joint venture, however there may be some additional disclosure requirements.

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 2011-4 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).

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) and AASB 2012-6 Amendments to Australian Accounting Standards.
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).
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014).

(x) Parent entity financial information

The financial information for the parent entity, carsales.com Ltd, disclosed in note 32 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 2.7%, while the interest on the cash advance facility was 4.7% (2012 - 5.2%). As at reporting date, the Group had \$54,525,000 (2012 - \$0) variable rate borrowings at a weighted average interest rate of 4.7% (2012 - 5.2%). The variable interest rate may have an impact on cash flow, but this impact is not considered material.

carsales.com Ltd does not hedge against interest rate risk.

The Group's main interest rate risk arises from short-term borrowings. The Company manages the interest rate risk by on-going review of the market interest rate.

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real as a result of the acquisition on Webmotors in June 2013.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a policy of managing foreign exchange risk against functional currency. The Company will hedge 100% of anticipated cash flows of all known material foreign exchange risk exposures arising from future commercial transactions and recognised assets and liabilities using forward contracts transacted.

Apart from the acquisition of Webmotors noted above, the Company did not have any other material foreign currency transactions or hedges during the year.

(d) 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 has access to the following undrawn borrowing facilities at the end of the reporting period:

	2013 \$'000	2012 \$'000
Floating rate		
- Expiring within one year (overdraft and bill facility)	13,000	-
- Expiring beyond one year (cash advance facility)	40,000	125,000
	53,000	125,000

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	0 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
Group - at 30 June 2013					
Non-derivatives					
Non-interest bearing payables	19,220	-	-	19,220	19,220
Variable rate borrowings	57,088	-	-	57,088	57,088
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	76,308	-	-	76,308	76,308
Group - at 30 June 2012					
Non-derivatives					
Non-interest bearing payables	15,861	-	-	15,861	15,861
Variable rate borrowings	-	-	-	-	-
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	15,861	-	-	15,861	15,861

(e) 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.

(f) Fair value estimation

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000
At 30 June 2013					
Financial assets					
Cash and cash equivalents	15,140	(376)	(376)	376	376
Accounts receivable	31,262	-	-	-	-
Financial liabilities					
Trade payables	(19,220)	-	-	-	-
Borrowings	(54,525)	-	-	-	-
Total increase/(decrease)		(376)	(376)	376	376

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 31.

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.com Ltd 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 carsales.com Ltd's 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.com Ltd 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 and consumer advertising related to these divisions.

(b) Segment analysis

2013	Online Advertising \$'000	Data and Research \$'000	Total \$'000
Segment revenue			
Segment revenue (note 4(c)(i))	187,206	27,912	215,118
Total segment revenue	187,206	27,912	215,118
EBITDA (note 4(c)(ii))	105,953	14,174	120,127
Depreciation and amortisation			(2,553)
Net interest income			1,338
Profit before income tax			118,912
Income tax expense			(35,164)
Share of losses from associates and a joint venture			(232)
Profit for the year			83,516
Segment assets (note 4(c)(iii))			
	86,759	21,947	108,706
Deferred tax assets			6,638
Unallocated assets			127,807
Total assets			243,151

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

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

(iii) Segment assets

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

(iv) Liabilities

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

5. Revenue

From continuing operations	2013 \$'000	2012 \$'000
Sales revenue		
Sale of services	215,118	184,206
Other revenue		
Interest	1,343	1,322
	216,461	185,528

6. Other income

	2013 \$'000	2012 \$'000
Net gain on disposal of property, plant and equipment	5	11

7. Expenses

	2013 \$'000	2012 \$'000
Profit before income tax includes the following specific expenses:		
Total employee benefits	44,188	40,065
Foreign exchange (gains) losses	(10)	41
Interest and finance charges paid/payable	5	31
Minimum lease payments	3,469	2,698
Research and development	7,904	5,107
Defined contribution superannuation expense	3,087	2,718
Net loss on disposal of property, plant and equipment	-	14
Depreciation and amortisation expense	2,553	3,339

8. Income tax expense

(a) Income tax expense	2013 \$'000	2012 \$'000
Current tax	35,031	30,050
Deferred tax	60	(2,480)
Adjustments for current tax of prior periods	73	48
	35,164	27,618
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (Increase) in deferred tax assets (note 12)	60	(2,480)
	60	(2,480)

Current tax of \$2,291,000 has been directly recognised in equity, related to share based payments.

(b) Numerical reconciliation of income tax expense to prima facie tax payable	2013 \$'000	2012 \$'000
Profit from continuing operations before income tax expense	118,680	99,207
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	35,604	29,762
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for R&D	(873)	(847)
Deferred tax on share options transferred to the Employee Share Trust	(94)	(1,306)
Sundry items	384	(39)
Adjustments for current tax of prior periods	73	48
Share of (profit)/losses from associates	70	-
Total income tax expense	35,164	27,618

(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

	2013 \$'000	2012 \$'000
Cash in hand	3	4
Bank balances	15,137	40,931
	15,140	40,935

(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% (2012: 3.5%).

10. Current assets - Receivables

Net trade receivables	2013 \$'000	2012 \$'000
Trade receivables	30,222	26,244
Provision for impairment of receivables (note 10(a))	(746)	(937)
	29,476	25,307
Other receivables*	-	2,427
Prepaid general	1,786	2,509
	31,262	30,243

* Other Receivables in 2012 relates to amounts owed by Torpedo 7 which has been settled.

Receivables from related parties are disclosed under note 25.

(a) Impaired trade receivables

As at 30 June 2013 current trade receivables of the Group with a nominal value of \$746,000 (2012 - \$937,000) were impaired. The amount of the provision was \$746,000 (2012 - \$937,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

The ageing of these receivables is as follows:

	2013 \$'000	2012 \$'000
1 to 3 months	287	282
3 to 6 months	128	232
Over 6 months	331	423
	746	937
Movements in the provision for impairment of receivables are as follows:		
At 1 July	937	1,050
Provision for impairment recognised during the year	111	(14)
Receivables written off during the year as uncollectable	(302)	(99)
At 30 June	746	937

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 at 30 June 2013, trade receivables of \$4,401,000 (2012 - \$4,949,000) 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 of these trade receivables is as follows:

	2013 \$'000	2012 \$'000
Up to 3 months	4,333	4,946
3 to 6 months	68	3
	4,401	4,949

(c) Other receivables

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

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

(d) Fair value and credit risk

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

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

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

	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 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
Year ended 30 June 2013				
Opening net book amount	880	33	4,126	5,039
Additions	645	7	292	944
Asset disposal	(1)	(6)	(1)	(8)
Depreciation charge	(625)	(5)	(613)	(1,243)
Closing net book amount	899	29	3,804	4,732
At 30 June 2013				
Cost	3,036	42	4,760	7,838
Accumulated depreciation	(2,137)	(13)	(956)	(3,106)
Net book amount	899	29	3,804	4,732

12. Non-current assets - Deferred tax assets

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	1,217	1,088
Doubtful debts	224	281
Expense provisions and accruals	1,089	1,320
Share options in the Employee Share Trust	4,108	2,405
	6,638	5,094
Movements:		
Opening balance at 1 July	5,094	2,326
Credited to the profit or loss (note 8)	(60)	2,480
Credited directly to equity	1,604	288
Closing balance at 30 June	6,638	5,094
Deferred tax assets to be recovered within 12 months	5,192	4,540
Deferred tax assets to be recovered after more than 12 months	1,446	554
	6,638	5,094

	Employee benefits \$'000	Employee Share Trust \$'000	Other \$'000	Total \$'000
At 1 July 2011	922	-	1,404	2,326
(Charged)/credited to the profit or loss (note 8)	166	2,117	197	2,480
Credited directly to equity	-	288	-	288
At 30 June 2012	1,088	2,405	1,601	5,094
(Charged)/credited to the profit or loss (note 8)	129	99	(288)	(60)
Credited directly to equity	-	1,604	-	1,604
At 30 June 2013	1,217	4,108	1,313	6,638

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 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
Additions	-	22	380	-	402
Development costs recognised as an asset	-	-	292	-	292
Amortisation charge **	-	(522)	(913)	(116)	(1,551)
Closing net book amount	77,444	1,318	1,247	601	80,610

	Goodwill \$'000	Domain names and other \$'000	Computer software* \$'000	Intangible asset: Database \$'000	Total \$'000
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
Year ended 30 June 2013					
Opening net book amount	77,444	1,318	1,247	601	80,610
Additions	-	13	1,854	25	1,892
Amortisation charge **	-	(386)	(805)	(119)	(1,310)
Closing net book amount	77,444	945	2,296	507	81,192
At 30 June 2013					
Cost	77,444	2,634	7,547	1,191	88,816
Accumulated amortisation and impairment	-	(1,689)	(5,251)	(684)	(7,624)
Net book amount	77,444	945	2,296	507	81,192

* 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 segment.

A segment-level summary of the goodwill allocation is presented below.

	Australia \$'000	Total \$'000
2013		
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	77,444	77,444
2012		
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	77,444	77,444

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***	
	2013 %	2012 %	2013 %	2012 %
Online Advertising	2.5	2.5	6.4	8.3
Data and Research	2.5	2.5	6.4	8.3

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.

(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

	2013 \$'000	2012 \$'000
Trade payables	1,728	1,977
Accrued expenses	15,201	12,643
Other payables	2,291	1,241
	19,220	15,861

Details of related party payables are disclosed under note 25.

15. Current liabilities - Borrowings

	2013 \$'000	2012 \$'000
Bank Loan	54,525	-

The bank loan is \$55,000,000 net of establishment fees of \$475,000. This loan forms part of an established \$95,000,000 facility with the National Australia Bank. This facility is structured into two components. The first component or facility A is a \$55,000,000 facility which is due for repayment and expiry on 30 June 2014. The second component or facility B is a \$40,000,000 facility that increases to \$95,000,000 on the repayment and expiry of facility A and matures on 31 July 2016. Facility A will be repaid out of excess cash and debt.

16. Current liabilities - Provisions

	2013 \$'000	2012 \$'000
Employee benefits	3,334	3,021

17. Current liabilities - Other current liabilities

	2013 \$'000	2012 \$'000
Deferred advertising services revenue - see note 1(e)	5,297	4,806

18. Non-current liabilities - Provisions

	2013 \$'000	2012 \$'000
Employee benefits	721	607

19. Contributed equity

(a) Share capital

	Notes	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
Ordinary shares					
Fully paid	19(b)	236,181,964	233,689,223	70,104	61,749
		236,181,964	233,689,223	70,104	61,749

(b) Movements in ordinary share capital

Date	Details	Number of shares	Share price	\$'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	233,689,223	-	61,749

(b) Movements in ordinary share capital (continued)

Date	Details	Number of shares	Share price	\$'000
1 July 2012	Opening balance	233,689,223		61,749
August 2012	Exercise of employee options	72,703	\$4.69	341
August 2012	Exercise of employee performance rights	61,551	\$0.00	-
September 2012	Exercise of employee options	10,000	\$1.75	18
September 2012	Exercise of employee options	70,000	\$2.15	150
September 2012	Exercise of employee options	590,000	\$2.00	1,180
September 2012	Exercise of employee options	250,000	\$3.89	973
September 2012	Exercise of employee options	332,653	\$4.90	1,630
September 2012	Exercise of employee options	13,029	\$4.69	61
October 2012	Exercise of employee options	10,000	\$1.75	18
October 2012	Exercise of employee options	10,000	\$2.15	22
October 2012	Exercise of employee options	20,000	\$2.00	40
October 2012	Exercise of employee options	25,000	\$4.90	122
October 2012	Exercise of employee options	8,469	\$4.69	40
November 2012	Exercise of employee options	10,000	\$1.75	18
November 2012	Exercise of employee options	5,000	\$2.00	10
November 2012	Exercise of employee options	531,250	\$3.89	2,066
November 2012	Exercise of employee options	52,117	\$4.69	244
December 2012	Exercise of employee options	7,500	\$3.89	29
February 2013	Exercise of employee options	15,000	\$3.89	58
March 2013	Exercise of employee options	120,000	\$2.00	240
March 2013	Exercise of employee options	190,000	\$3.89	739
March 2013	Exercise of employee options	12,500	\$4.90	61
April 2013	Exercise of employee options	7,500	\$3.89	29
April 2013	Exercise of employee options	12,500	\$4.90	61
April 2013	Exercise of employee options	8,469	\$4.69	40
May 2013	Exercise of employee options	22,500	\$3.89	88
June 2013	Exercise of employee options	5,000	\$1.75	9
June 2013	Exercise of employee options	5,000	\$2.00	10
June 2013	Exercise of employee options	15,000	\$3.89	58
30 June 2013	Balance	236,181,964		70,104

(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 31.

(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 and performance rights outstanding at the end of the financial year, is set out in note 31.

(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 Group 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 ongoing-basis.

The Company's capital position at 30 June 2013 and 30 June 2012 was as follows:

	Notes	2013 \$'000	2012 \$'000
Total payables and borrowings	14, 15	73,745	15,861
Less: cash and cash equivalents	9	(15,140)	(71,178)
Net debt (cash and cash equivalents)		58,605	(55,317)
Total equity		152,510	128,385

20. Reserves and retained earnings

(a) Reserves	2013 \$'000	2012 \$'000
Share-based payment reserve	14,901	7,646
Foreign currency translation reserve	7	(78)
	14,908	7,568

Movements:

Share-based payment reserve

Balance 1 July	7,646	4,658
Option expense	3,360	2,700
Tax on Employee Share Trust charged to equity	3,895	288
Balance 30 June	14,901	7,646

Movements:

Foreign currency translation reserve

Balance 1 July	(78)	(76)
Currency translation differences arising during the year	85	(2)
Balance 30 June	7	(78)

Movements:

Treasury share reserve

Balance 1 July	-	(3,086)
Share buy-back	-	3,086
Balance 30 June	-	-

(b) Retained earnings

Movements in retained earnings were as follows:	2013 \$'000	2012 \$'000
Balance 1 July	59,068	38,514
Net profit income for the year	83,516	71,589
Dividends	(75,086)	(51,035)
Balance 30 June	67,498	59,068

(c) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights 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.

21. Dividends

(a) Ordinary shares	2013 \$'000	2012 \$'000
Final ordinary dividend for the year ended 30 June 2012 of 13.2 cents (2011 - 10.5 cents) per share and a special dividend of 6.0 cents paid on 25 September 2012 (5 October 2011). Fully franked (2012 - fully franked) based on tax paid @ 30%	45,100	24,630
Interim ordinary dividend for the year ended 30 June 2013 of 12.7 cents (2012 - 11.3 cents) per fully paid share paid on 10 April 2013. (11 April 2012). Fully franked (2012 - fully franked) based on tax paid @ 30%.	29,986	26,405
Total dividends provided for or paid	75,086	51,035
Paid in cash	75,086	51,035

(b) Dividends not recognised at year end	2013 \$'000	2012 \$'000
In addition to the above dividends, since year end the Directors have recommended the payment of 15.6 cents per fully paid ordinary share, (2012 - final dividend 13.2 cents, special dividend 6.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 25 September 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at year end, is	36,827	44,887

(c) Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30.0% (2012 - 30.0%)

30,721	26,956
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The above amounts represent the balance of the franking account as at the end of the reporting period, 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, and
- (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.

22. 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	2013 \$	2012 \$
Short-term employee benefits	4,629,625	4,315,644
Post-employment benefits	137,333	126,361
Long-term employment benefits	76,331	89,475
Share-based payments	1,739,636	1,979,978
	6,582,925	6,511,458

Detailed Remuneration Disclosures are provided in the remuneration report on pages 18 to 32.

(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.

2013	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Balance at end of the year	Vested and exercisable	Unvested
Directors of carsales.com Ltd						
W Pisciotta	-	-	-	-	-	-
R Collins	-	-	-	-	-	-
G Roebuck	1,558,754	268,243	(669,918)	1,157,079	330,258	826,821
P O'Sullivan	-	-	-	-	-	-
I Law	-	-	-	-	-	-
S Kloss (Alternate)	-	-	-	-	-	-
K Anderson	-	-	-	-	-	-
Other key management personnel of the Group						
D Hardy	453,935	56,471	(230,357)	280,049	68,015	212,034
C McIntyre	637,515	112,941	(373,933)	376,523	-	376,523
A Saines	403,915	70,588	(226,677)	247,826	-	247,826
A Bhatia	362,622	56,471	(215,238)	203,855	-	203,855
P Barlow	267,672	36,988	(3,461)	301,379	160,818	140,561
2012	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Balance at end of the year	Vested and exercisable	Unvested
Directors of carsales.com Ltd						
W Pisciotta	-	-	-	-	-	-
R Collins	125,000	-	(125,000)	-	-	-
G Roebuck*	1,550,000	408,754	(400,000)	1,558,754	775,000	783,754
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	193,570	74,102	-	267,672	25,000	242,672

* There has been a decrease in the number of options granted of 17,755.

(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.

2013	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	19,279,807	-	(4,407,514)	14,872,293
R Collins	1,236,750	-	(245,000)	991,750
G Roebuck	6,559,168	669,918	(1,796,195)	5,432,891
S Kloss (Alternate)	2,774,500	-	-	2,774,500
K Anderson	10,000	-	-	10,000
P O'Sullivan	-	-	5,376	5,376
Other key management personnel of the Group				
Ordinary shares				
D Hardy	317,380	230,357	(164,000)	383,737
C McIntyre	193,000	373,933	(349,933)	217,000
A Saines	45,000	226,677	(263,073)	8,604
A Bhatia	3,000	215,238	(215,238)	3,000
P Barlow	10,000	3,461	(10,000)	3,461
2012	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
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

(d) Loans to key management personnel

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

(e) Other transactions with key management personnel

(i) Directors of carsales.com Ltd

W Pisciotta is a director and shareholder of Pentana, 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.

R Collins is a shareholder of 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.

23. 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) PricewaterhouseCoopers	2013 \$	2012 \$
PricewaterhouseCoopers firm		
Audit and review of financial reports	190,000	190,000
Controls and assurance services	15,000	50,000
Due diligence services	289,000	89,410
Total remuneration for audit and other assurance services	494,000	329,410
Taxation services		
Tax compliance services, including review of Company income tax returns	48,000	41,500
International tax consulting and tax advice on mergers and acquisitions	61,000	18,889
Total remuneration for taxation services	109,000	60,389
Total remuneration of PricewaterhouseCoopers	603,000	389,799
(b) Non-PwC audit firms	2013 \$	2012 \$
Audit and other assurance services		
Audit and review of financial statements	11,685	8,965
Total remuneration for audit and other assurance services	11,685	8,965
Taxation services		
Tax compliance services	48,444	26,250
Total remuneration for taxation services	48,444	26,250
Total remuneration of non-PricewaterhouseCoopers audit firms	60,129	35,215
Total auditors' remuneration	663,129	425,014

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.

24. Commitments

Non-cancellable operating leases

The Group leases offices in a number of locations. The most significant of these leases is the Melbourne head office where the lease is a non-cancellable operating lease 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 and printers under non-cancellable operating leases.

	2013 \$'000	2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,279	2,639
Later than one year but not later than five years	12,726	11,659
Later than five years	3,897	6,758
	19,902	21,056

25. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 26.

(b) Transactions with other related parties

The following transactions occurred with related parties, the nature of which are described in note 22(e)(i):

	2013 \$	2012 \$
Sales of goods and services		
Sale of services to related parties	573,027	408,879
Purchases of goods and services		
Purchases of goods and services from related parties	3,365,979	3,676,894

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:

	2013 \$	2012 \$
Current receivables (sales of goods and services)		
Other related parties	126	102,106
Current payables (purchases of goods and services)		
Other related parties	503,537	795,371

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.

26. 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**	
			2013 %	2012 %
Webpointclassifieds Pty Ltd *	Australia	Ordinary	100	100
Equipment Research Group Pty Ltd *	Australia	Ordinary	100	100
Discount Vehicles Australia Pty Ltd *	Australia	Ordinary	100	100
Automotive Data Services Pty Ltd *	Australia	Ordinary	100	100
Auto Information Limited	New Zealand	Ordinary	100	100
Red Book Automotive Services (M) Sdn Bhd	Malaysia	Ordinary	100	100
Red Book Automotive Data Services (Beijing) Limited	China	Ordinary	100	100
Automotive Data Services (Thailand) Company Limited	Thailand	Ordinary	100	100

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

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

27. Investments accounted for using the equity method

(a) Movements in carrying amounts	2013 \$'000	2012 \$'000
Carrying amount at the beginning of the financial year	-	-
Purchase of associates and joint venture	104,419	-
Share of losses after income tax	(232)	-
Carrying amount at the end of the financial year	104,187	-

(b) Summarised financial information of associates and joint venture

The Group's share of the results of its principal associates and joint venture, its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Investment* \$'000	Company's share of:		
			Assets \$'000	Liabilities \$'000	Profit \$'000
2013					
Webmotors SA	30.0	90,535	91,620	1,085	-
iCar Asia Limited	19.9	13,431	14,024	593	(203)
Tyresales Pty Ltd (JV)	50.0	221	319	98	(29)
		104,187	105,963	1,776	(232)

* The investment amount includes \$2,438,000 of capitalised costs directly incurred in relation to these investments.

Assets and Liabilities are provisional fair values, based on preliminary accounts.

As iCar Asia (ASX:ICQ) is an ASX listed company and the timing of their disclosures to the market are different to that of carsales.com Ltd, the earnings reported above are an estimate of the carsales.com Ltd portion of their net profit after tax for the months of May 2013 and June 2013. This estimate is made on the basis of the latest publically available information being lodged through their Appendix 4C and adjusted for estimated non-cash items.

carsales.com Ltd has significant influence in iCar Asia Limited with 20% (1 out of 5 seats) representation on the board and we are involved in the day to day decision making of the business. Fair value of iCar Asia Limited as at 30 June 2013 is \$16,108,922.

28. Events occurring after the reporting period

No events have occurred after the reporting date.

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

	2013 \$'000	2012 \$'000
Profit for the year	83,516	71,589
Depreciation and amortisation	2,553	3,339
(Profit) loss on sale of assets	(5)	14
Non-cash employee benefits expense - share-based payments	3,360	2,700
Share of losses of associates and joint venture partnership	232	-
Net exchange differences	85	(2)
Change in operating assets and liabilities:		
(Increase) in trade debtors	(4,169)	(9,174)
(Increase) in deferred tax assets	(1,544)	(2,768)
Decrease in other operating assets	723	1,163
(Decrease) in trade creditors	(249)	(573)
Increase in other operating liabilities	7,994	6,960
(Decrease) increase in provision for income taxes payable	(1,697)	410
(Increase) in loan establishment fees*	(475)	-
Increase in other provisions	427	554
Net cash inflow from operating activities	90,751	74,212

* The loan establishment fees have been netted off against the borrowings in the balance sheet.

30. Earnings per share

(a) Basic earnings per share

	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the Company	35.5	30.6
Total basic earnings per share attributable to the ordinary equity holders of the Company	35.5	30.6

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	35.2	30.5
Total diluted earnings per share attributable to the ordinary equity holders of the Company	35.2	30.5

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

	2013 \$'000	2012 \$'000
Basic earnings per share		
Profit from continuing operations	83,516	71,589
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	83,516	71,589

(d) Weighted average number of shares used as denominator

	2013	2012
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	235,244,384	233,689,595
Adjustments for calculation of diluted earnings per share:		
Options outstanding	1,814,145	909,519
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	237,058,529	234,599,114

(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 31.

31. Share-based payments

(a) Employee Option Plan

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

Options and performance rights are granted under the plan for no consideration with conditions including a vesting period and expiry date. For senior executives vesting conditions, including EPS targets, are noted in the Remuneration Report on page 25.

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.

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	Options granted during the year Number	Performance rights granted during the year Number	Total exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013									
Jul 2007	Jun 2014	\$1.75	42,000	-	-	(35,000)	-	7,000	7,000
Oct 2007	Oct 2012	\$2.15	80,000	-	-	(80,000)	-	-	-
Sep 2008	Sep 2013	\$2.00	520,000	-	-	(500,000)	-	20,000	20,000
Jul 2009	Jul 2014	\$2.00	240,000	-	-	(240,000)	-	-	-
Dec 2009	Jun 2014	\$3.89	250,000	-	-	(250,000)	-	-	-
Mar 2010	Oct 2014	\$3.89	946,250	-	-	(788,750)	-	157,500	157,500
Oct 2010	Oct 2015	\$4.90	1,450,000	-	-	(382,653)	-	1,067,347	342,347
Mar 2011	Oct 2015	\$4.90	485,000	-	-	-	(35,000)	450,000	-
Oct 2011	Oct 2016	\$4.69	1,037,134	-	-	(154,787)	-	882,347	130,812
Oct 2011	Oct 2016	\$0.00	263,105	-	-	(61,551)	-	201,554	-
Mar 2012	Mar 2017	\$4.69	216,005	-	-	-	(7,758)	208,247	-
Mar 2012	Mar 2017	\$0.00	68,873	-	-	-	(2,474)	66,399	-
Oct 2012	Oct 2017	\$5.93	-	727,850	-	-	-	727,850	-
Oct 2012	Oct 2017	\$0.00	-	-	257,223	-	-	257,223	-
Total			5,598,367	727,850	257,223	(2,492,741)	(45,232)	4,045,467	657,659
Weighted average exercise price			\$3.90	\$5.93	\$0.00	\$3.35	\$4.60	\$4.33	\$4.49

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Options granted during the year Number	Performance rights granted during the year Number	Total exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
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	-	1,037,134	-	-	-	1,037,134	-
Oct 2011	Oct 2016	\$0.00	-	-	263,105	-	-	263,105	-
Mar 2012	Oct 2016	\$4.69	-	216,005	-	-	-	216,005	-
Mar 2012	Oct 2016	\$0.00	-	-	68,873	-	-	68,873	-
Total			5,621,750	1,253,139	331,978	(1,511,000)	(97,500)	5,598,367	1,254,500
Weighted average exercise price			\$3.44	\$4.69	\$0.00	\$1.99	\$4.27	\$3.90	\$3.22

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 2013 is estimated to be approximately \$7.71 (2012: approximately \$4.85).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.12 years (2012 - 3.08 years).

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2013 ranged between \$2.33 and \$2.43 per option (2012 - between \$0.95 and \$1.38). The assessed value at grant date of performance rights granted during the year ended 30 June 2013 ranged between \$6.73 and \$6.96 (2012 - 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 2013 included:

- (a) Options are granted for no consideration. For vesting dates for senior executives, refer page 29.
- (b) Exercise price: \$5.93 (2012: \$4.69).
- (c) Grant date: October 2012 (2012: October 2011 and March 2012).
- (d) Expiry date: October 2017 (2012: October 2016).
- (e) Share price at grant date: \$7.71 (2012: \$4.93 and \$5.25).
- (f) Expected price volatility of the Company's shares: 34% (2012: 35%).
- (g) Expected dividend yield: 3.4% (2012: 4.1%).
- (h) Risk-free interest rate: 3.04% (2012: 4.09%).

The model inputs for performance rights granted during the year ended 30 June 2013 included:

(a) Performance rights are granted for no consideration. For vesting dates for senior executives, refer page 29.

(b) Exercise price: \$0.

(c) Grant date: October 2012 (2012: October 2011 and March 2012).

(d) Expiry date: October 2017 (2012: October 2016).

(e) Share price at grant date: \$7.71 (2012: \$4.93 and \$5.25).

(f) Expected price volatility of the Company's shares: 34% (2012: 35%).

(g) Expected dividend yield: 3.4% (2012: 4.1%).

(h) Risk-free interest rate: 3.04% (2012: 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:

	2013 \$'000	2012 \$'000
Options and performance rights issued under employee option plan	3,360	2,700

32. Parent entity financial information

(a) Summary financial information

	Parent entity	
	2013 \$'000	2012 \$'000
Balance sheet		
Current assets	42,095	79,541
Non-current assets	199,074	88,652
Total assets	241,169	168,193
Current liabilities	97,195	59,842
Non-current liabilities	721	607
Total liabilities	97,916	60,449
Shareholders' equity		
Issued capital	70,105	61,749
Reserves	14,902	7,646
Retained earnings	58,246	38,349
	143,253	107,744
Profit or loss for the year	70,223	61,681
Total comprehensive income	70,223	61,681

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

Directors' declaration & **Auditor's** report

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 51 to 90 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 2013 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

Sydney, 14 August 2013



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 2013, 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 both carsales.com Ltd and the carsales.com group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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.

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

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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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 company's and consolidated entity's financial position as at 30 June 2013 and of their 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*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 32 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Anton Linschoten'.

Anton Linschoten
Partner

Melbourne
14 August 2013

Shareholder information

The shareholder information set out below was applicable as at 14 August 2013.

A. Distribution of equity securities

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

Holding	Class of equity security			
	Ordinary shares			
	Shares	Options and performance rights	Redeemable preference shares	Convertible notes
1 - 1,000	2,620	-	-	-
1,001 - 5,000	2,775	30	-	-
5,001 - 10,000	514	12	-	-
10,001 - 100,000	391	32	-	-
100,001 and over	87	8	-	-
	6,387	82	-	-

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	52,005,233	22.0
HSBC Custody Nominees (Australia) Limited	37,722,787	16.0
National Nominees Limited	37,043,148	15.7
Clear Way Investments Pty Ltd <James Family A/C>	14,554,829	6.2
BNP Paribas Noms Pty Ltd <DRP>	8,527,536	3.6
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,376,795	3.1
Citicorp Nominees Pty Limited	6,936,230	2.9
Citicorp Nominees Pty Limited <Colonial First State INV A/C>	4,915,218	2.1
Four Us Pty Ltd	3,626,555	1.5
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH Super Corp A/C>	2,943,291	1.2
UBS Nominees Pty Ltd	2,609,378	1.1
Steven Kloss Pty Ltd	2,482,000	1.1
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,456,600	1.0
Billkaren Pty Ltd <Robinson Family A/C>	2,350,000	1.0
Kilienz Pty Ltd <PW & AE Aitken Family A/C>	1,875,000	0.8
Essena Pty Ltd	1,711,722	0.7
Essena Pty Ltd <Lorimer Family A/C>	1,646,555	0.7
Balfour Pines Pty Ltd <Dux Family A/C>	1,375,000	0.6
Mr Andrew Gajtan Curmi	1,260,500	0.5
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	1,100,000	0.5
	194,518,377	82.3

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Ltd Employee Option Plan to take up ordinary shares	4,045,467	82

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Hyperion Asset Management	29,854,047	12.6
FIL Investment Management Australia	15,594,720	6.6
Wal Pisciotta	14,872,293	6.2

D. Voting rights

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

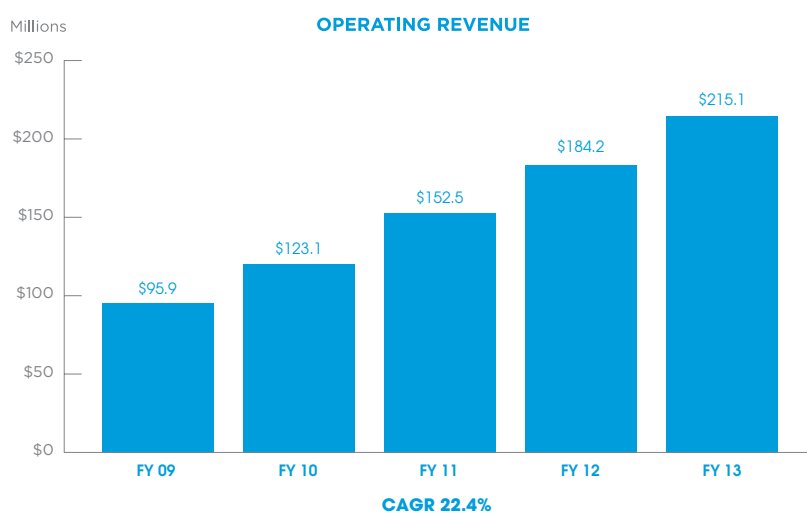
(a) Ordinary shares

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

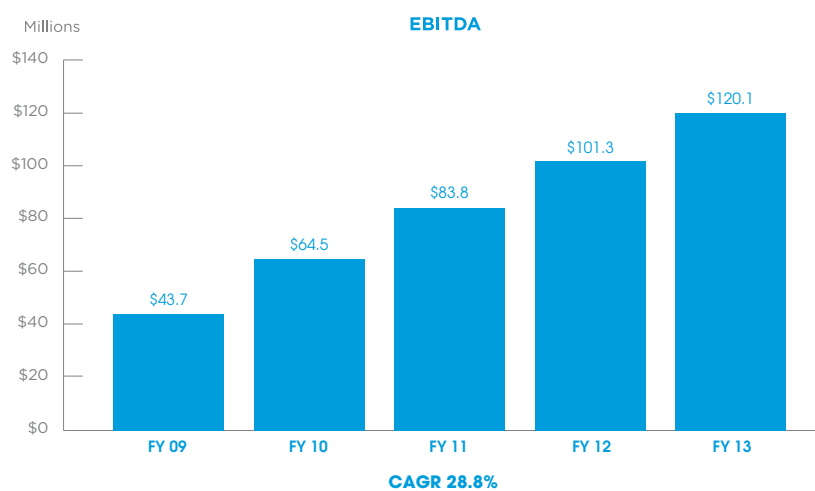
(b) Options

No voting rights.

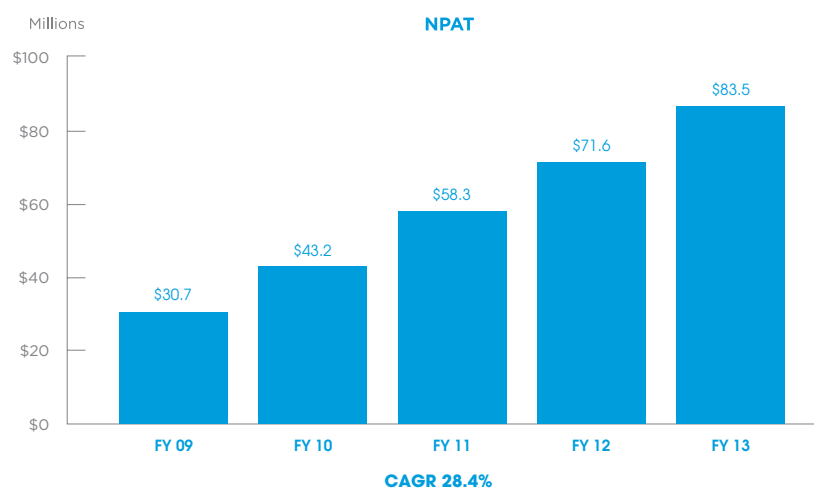
5 YEAR FINANCIAL REVIEW



Continued solid growth in Operating Revenue to \$215.1m, up 17% on pcp.



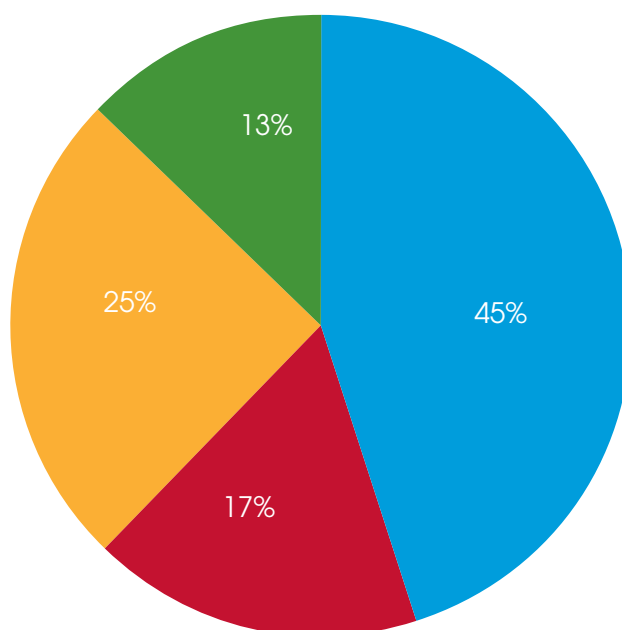
EBITDA up 19% on pcp to \$120.1m



NPAT up 17% on pcp to \$83.5m

REVENUE PERFORMANCE

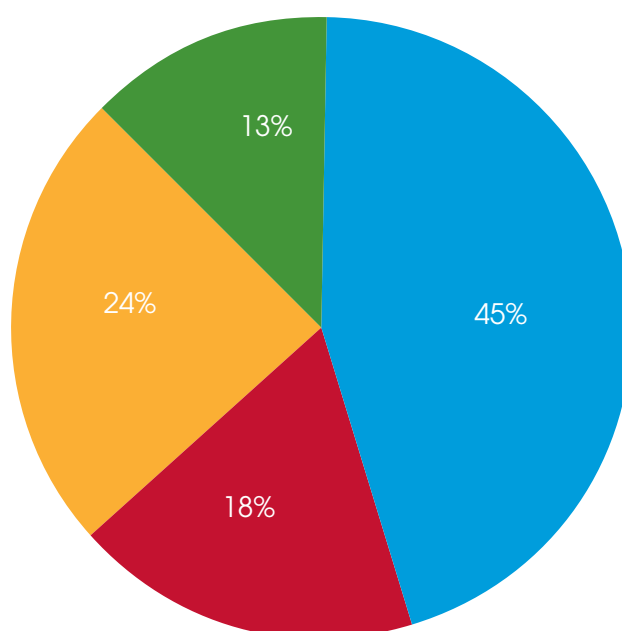
FY2013 REVENUE BREAKDOWN



● Dealer ● Private ● Display ● Dealer & Data Services

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

FY2012 REVENUE BREAKDOWN

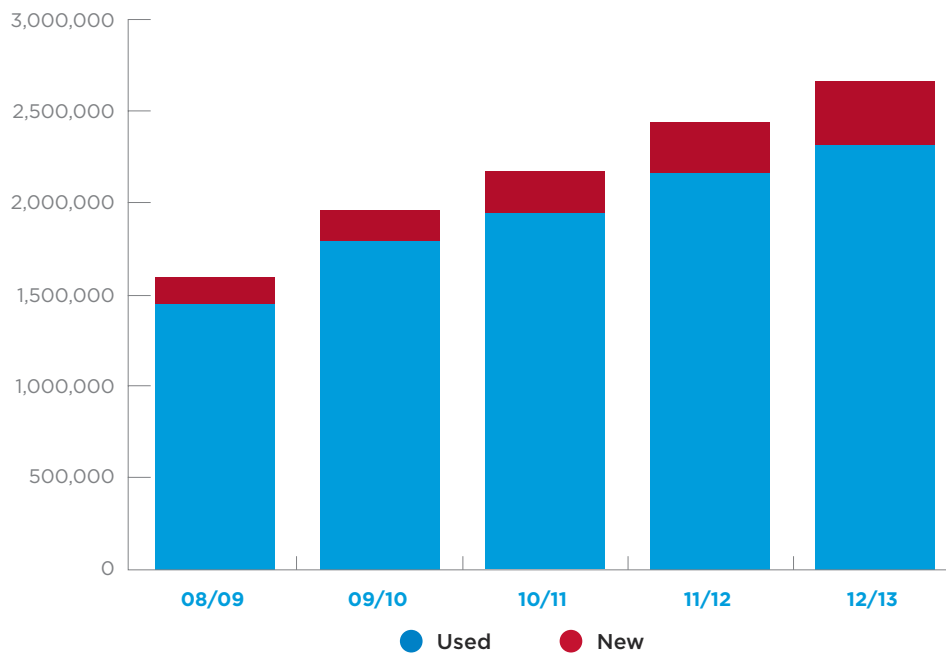


● Dealer ● Private ● Display ● Dealer & Data Services

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

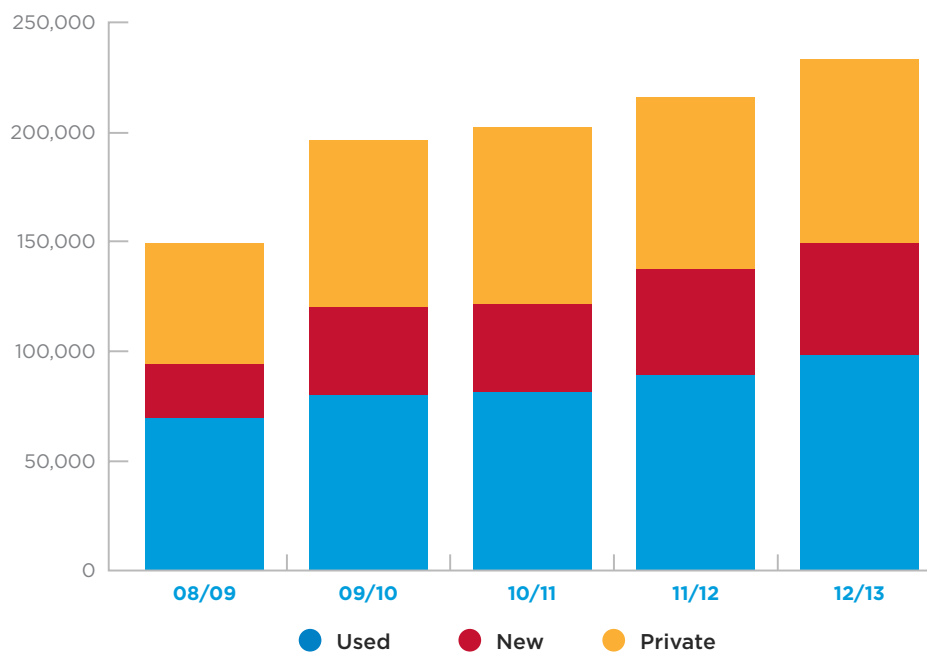
OPERATIONAL METRICS

AUTOMOTIVE ENQUIRY VOLUMES



Automotive enquiry volumes grew 9% on pcp

AUTOMOTIVE INVENTORY VOLUMES



Automotive inventory volumes increased to around 233,000 vehicles.

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