

Appendix 4E

carsales.com Ltd

ABN 91 074 444 018



Results for Announcement to the Market

Full-year ended 30 June 2020

(Previous corresponding period: Full-year ended 30 June 2019)

				A\$'000
Revenue from continuing operations	Down	(5.25%)	to	395,585
Profit for the year after tax	Up	38.84%	to	116,953
Net profit for the period attributable to members	Up	36.49%	to	114,668
Adjusted net profit* for the period attributable to members	Up	6.17%	to	138,189

Dividends/Distribution	Amount per security	Franked amount per security
2019 Final Dividend paid	25.0 cents	25.0 cents
2020 Interim Dividend paid	22.0 cents	22.0 cents
2020 Final Dividend declared	25.0 cents	25.0 cents

2020 final dividend dates

Record date for determining entitlements to the dividends	23rd September 2020
Latest date for dividend reinvestment plan participation	24th September 2020
Dividend payable	7th October 2020

	30 June 2020	30 June 2019	30 June 2019 Restated***
Net tangible assets backing per ordinary share**	(138.1 cents)	(128.9 cents)	(158.4 cents)

* The presentation of adjusted net profit provides the best measure to assess the performance of the Group by excluding COVID-19 Dealer Support Package, fair value gain arising from discontinuing the equity method (net of NCI), gain on associate investment dilution (net of NCI), loss on disposal of subsidiary, one-off transaction and restructure costs, one-off bad debt expenses, changes in fair value of put option liabilities and deferred consideration, one-off tax adjustment, option unwinding discount and non-cash acquired intangible amortisation from the reported IFRS measure. This is further detailed in Note 5(b).

** Net tangible assets exclude all right-of-use assets leased by the Group.

*** See Note 31 for details about restatements for changes in accounting policies.

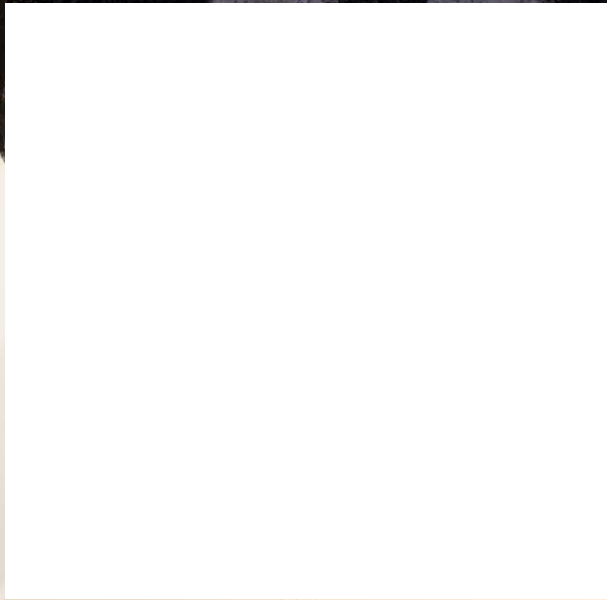
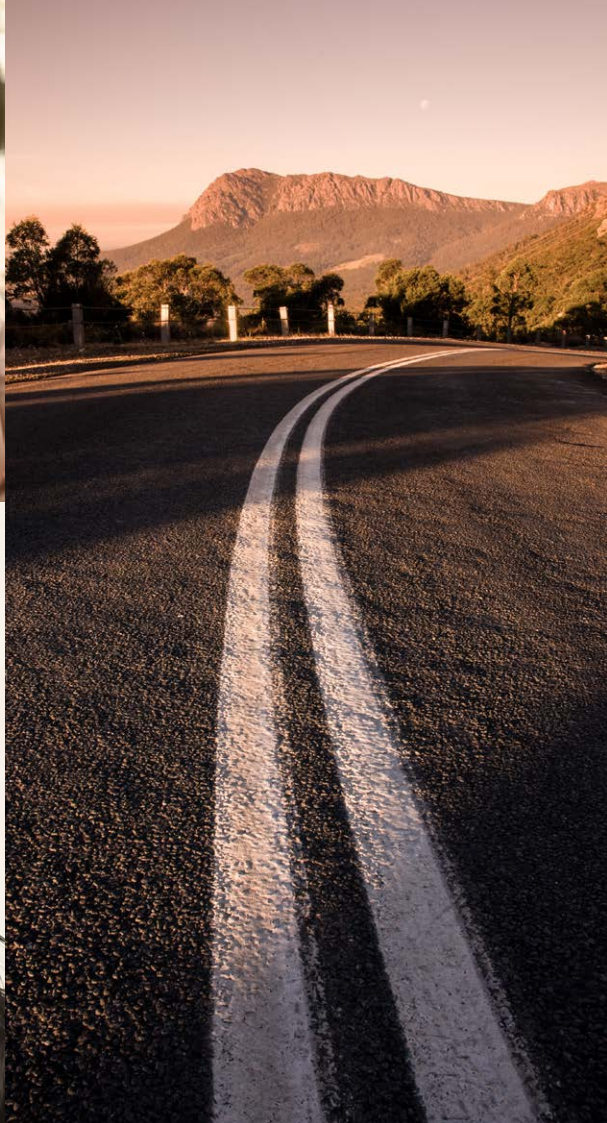
Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2020 Financial Report.



Annual Report 2020

carsales  com Ltd



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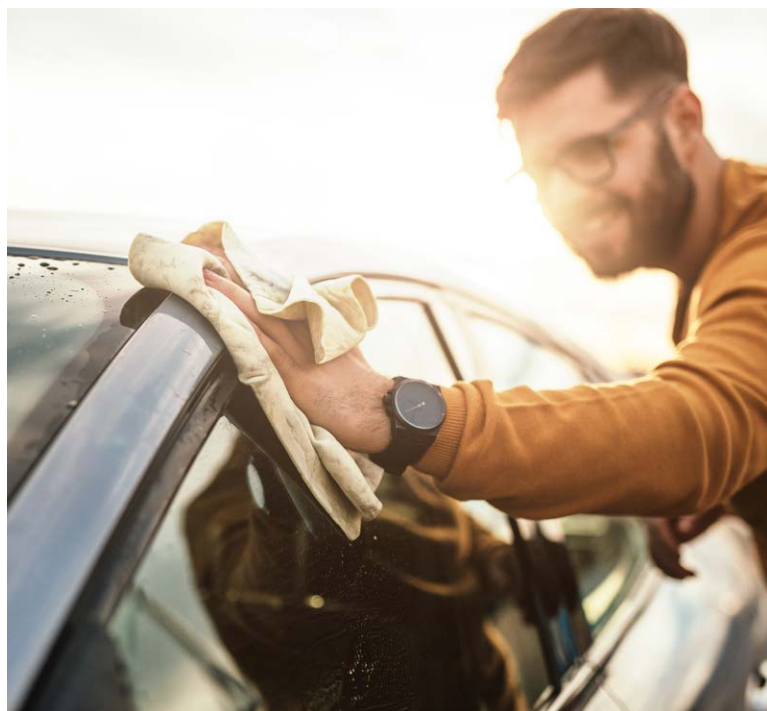
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Our Business

carsales.com Ltd (ASX: CAR)

is a global leader in digital automotive marketplaces, holding market leading positions in Australia, South Korea, Brazil, Chile, Argentina and Mexico.

Headquartered in Melbourne, Australia the business employs c.1,200 employees across the world and is a member of the S&P/ASX100.



Our Purpose

We **empower** people
to *move freely* through
our **world-leading**
marketplaces.

Our Approach

We focus on successful outcomes for our customers

Innovation is part of our DNA

Our products and services are frictionless and we are easy to deal with

We think global first

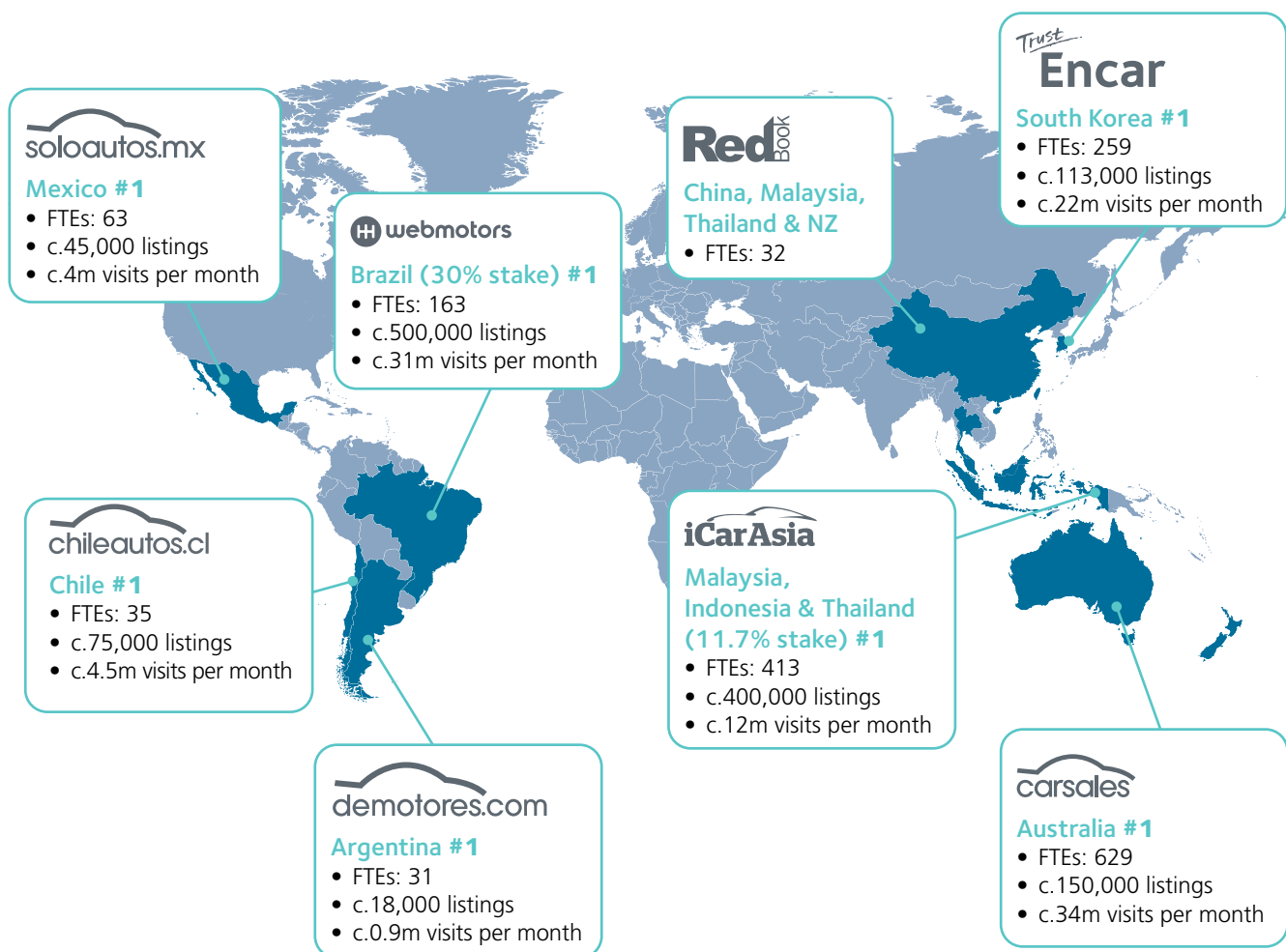
We give our customers the know-how and confidence to transact

Our team never settles and always strives for world-class customer-centric solutions



Our Global Presence

We have a global presence and our international markets present a massive opportunity for carsales to consolidate itself as the global leader in digital automotive advertising.



#1 represents market leading positions.

Data presented above are based on management estimates from July 2019 to June 2020.

All businesses 100% owned unless otherwise stated.

Our Operational Highlights



Our Global Markets

>1 billion user sessions

per annum on all carsales sites around the world up 7% on pcp¹

>33,700 car dealer

customers around the world³

>760k cars for sale

around the world at any point in time³

6 countries

in which we have leading positions⁵



Our Australian Market

2x more time

spent on carsales.com.au than the nearest competitor in Australia²

>4.89m Unique Audience

record audience levels (+40% YoY)²

>90%

of Australian car dealers are on the carsales platform⁴

Most trusted

place for buying and selling cars in Australia (+118% vs nearest competitor)⁶



Our People

93%

of our people feel that we are staying connected as a team during the COVID-19 pandemic

90%

of our people would recommend carsales as a great place to work

Certified

as a Great Place to Work[®] employer 2019 and 2020 and WGEA Employer of Choice 2015–2020

Ranked #1

in the Technology section of AAGE Top Graduate Employer for 2020 (#4 in overall)



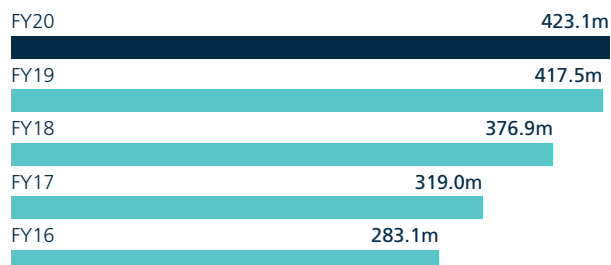
1. Period: July 2019 – June 2020. Source Google Analytics – Includes sessions on desktop, mobi and app for the following sites: carsales.com.au, redbook.com.au, motoring.com.au, boatsales.com.au, bikesales.com.au, caravancampingsales.com.au, trucksales.com.au, constructionsales.com.au, farmmachinerysales.com.au, carfacts.com.au, carpoint.com.au, boatpoint.com.au, RedBookinspect.com.au, soloautos.mx, chileautos.cl, demotores.com.ar, encar.com and webmotors.com.br. 2. Source: Nielsen DCR, Monthly average, June 2020. 3. Aggregate from automotive websites in Australia, South Korea, Brazil, Mexico, Argentina and Chile as at 30 June 2020. 4. IBISWorld Motor Vehicle Dealers – Australia Market Research Report, total carsales subscribers / total dealers. 5. In countries with controlling stakes: Australia, Brazil, South Korea, Argentina, Mexico and Chile. 6. Study conducted by independent research agency, Nature Pty Ltd, “market brand health tracker 2020”. You said you would go to the following for buying a new / used / selling a car. If you had to choose one tomorrow, which one would you most prefer?

Financial Performance

Adjusted Revenue*

\$423.1m

up 1% year on year

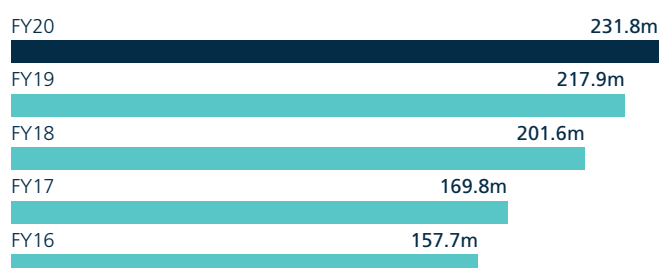


**CAGR
11%**

Adjusted EBITDA*

\$231.8m

up 6% year on year

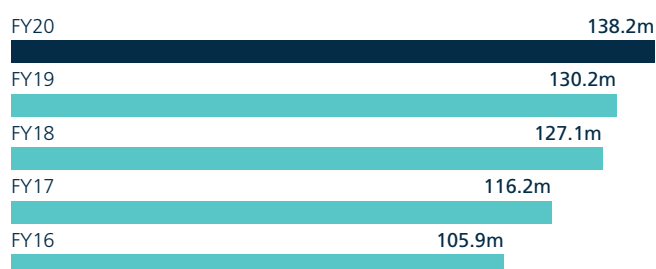


**CAGR
10%**

Adjusted NPAT*

\$138.2m

up 6% year on year

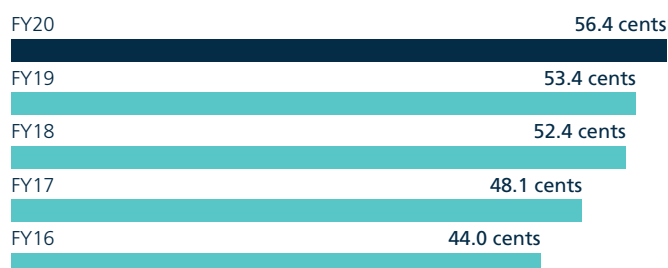


**CAGR
7%**

Adjusted earnings per share

56.4 cents

up 6% year on year

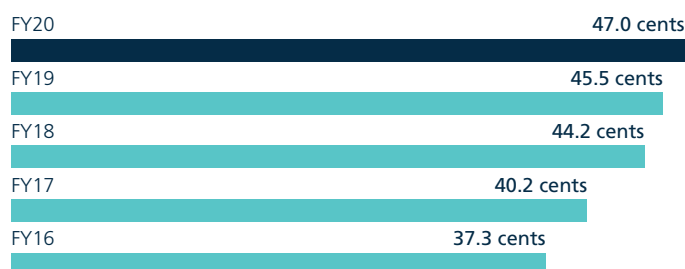


**CAGR
6%**

Dividend per share

47.0 cents

up 3% year on year



**CAGR
6%**

* Adjusted Revenue, EBITDA and NPAT stated above is on a continuing basis and post non-controlling interests and excludes certain non-recurring or non-cash items relating to COVID-19 Dealer Support Package, fair value gain arising from discontinuing the equity method (net of NCI), gain on associate investment dilution (net of NCI), loss on disposal of subsidiary, one-off transaction and restructure costs, one-off bad debt expenses, changes in fair value of put option liabilities and deferred consideration, one-off tax adjustment, option unwinding discount and non-cash acquired intangible amortisation.
FY18 revenue, EBITDA and Adjusted NPAT have been restated to reflect the adoption of AASB15. FY16-FY17 figures have not been restated as the impact would not be material. FY16-FY19 Adjusted EBITDA and NPAT have been restated to reflect the adoption of AASB16.

	A\$ millions		Growth	
	FY20	FY19**	\$'m	%
Year ended 30 June 2020				
Adjusted Revenue				
Online Advertising	296.7	300.1	(3.4)	(1%)
Data, Research and Services	43.3	43.2	0.1	0%
Total Australia	340.0	343.3	(3.3)	(1%)
carsales Asia	75.5	65.1	10.4	16%
carsales Latin America	7.6	9.1	(1.5)	(16%)
Total International	83.1	74.2	8.9	12%
Total Adjusted Revenue*	423.1	417.5	5.6	1%
Total operating expenses	191.3	199.6	8.3	4%
Adjusted EBITDA*	231.8	217.9	13.9	6%
EBITDA margin	55%	52%		
Depreciation and amortisation	28.2	23.4	(4.8)	(21%)
EBIT	203.6	194.5	9.1	5%
Net finance costs	14.3	15.5	1.2	8%
Profit before tax	189.3	179.0	10.3	6%
Income tax expense	56.5	52.9	(3.6)	(7%)
Profits from associates	4.7	3.7	1.0	27%
Non-controlling interests (NCI)	0.7	0.4	0.3	57%
Adjusted NPAT* (continuing operations)	138.2	130.2	8.0	6%
Adjustments	(18.3)	1.9	n/a	n/a
Reported NPAT (continuing operations)	119.9	132.1	(12.2)	(9%)
Reported Revenue (continuing operations)	395.6	417.5	(21.9)	(5%)
Reported EBITDA (continuing operations)	202.0	212.9	(10.9)	(5%)
Adjusted Earnings per share (cents)	56.4	53.4	3.0	6%
Reported Earnings per share (cents)	48.9	54.2	(5.3)	(10%)

* Adjusted Revenue, EBITDA and NPAT stated above is on a continuing operations basis and post non-controlling interests and excludes certain non-recurring or non-cash items related to COVID-19 Dealer Support Package, fair value gain arising from discontinuing the equity method (net of NCI), gain on associate investment dilution (net of NCI), loss on disposal of subsidiary, one-off transaction and restructure costs, one-off bad debt expenses, changes in fair value of put option liabilities and deferred consideration, one-off tax adjustment, option unwinding discount and non-cash acquired intangible amortisation.

**FY19 results have been restated to reflect the adoption of AASB16.



Chair and CEO Letter



Pat O'Sullivan
Non-Executive Chair

Cameron McIntyre
Managing Director
and CEO

FY2020 has been a year of great reward but significant challenge, more so than any other year outside of the Global Financial Crisis (GFC) in 2008 at carsales. We have taken substantial steps forward over the past twelve months and leave FY20 in good shape and looking towards the year that is ahead of us.

We are extremely pleased with how the business has performed this year given the impact of COVID-19 and the bushfires in Australia. The investments made in growing our capability in both Australia and across our international markets while at the same time protecting and supporting our customers through this challenging period has been something the entire business has been very proud of.

The Group delivered growth across our three primary financial metrics of Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT. This is a testament to the resilience of our business model and reinforces the merits of our long-term strategy of diversifying our products and the markets in which we operate.

FY20 revenue was down 5% on pcp to \$395.6m (excluding COVID-19 Dealer Support Rebate revenue was up 1% on pcp to \$423.1m). Adjusted Earnings before interest, taxes and depreciation/amortisation (EBITDA) was up 6% to \$231.8m with EBITDA margins expanding to 55%. This performance

reflects the ongoing expansion of core business margins as the Company continues to utilise its operating leverage and focus on cost, while also investing in the future, exiting under-performing businesses and re-focusing faster growing lower margin businesses to profitability.

Adjusted Net Profit After Tax (NPAT) increased 6% to \$138.2m and the Board has declared a final FY20 dividend of 25.0 cents per share bringing total dividends paid to shareholders for FY20 to 47.0 cents per share.

It has been the most eventful and challenging year in the Company's recent history and we are all very proud of what has been accomplished. Some of the more significant milestones include but aren't limited to:

- Excellent progress in the development of key strategic priorities across domestic and global markets.
- In the face of extreme adversity with the worst bushfires in Australia on record and a global pandemic, the Company has made significant contributions to the support of others far beyond normal and demonstrated clear social responsibility and leadership through truly unique market conditions.
- Delivery of solid financial performance despite the headwinds experienced in the second half of the year.

The Company has made significant contributions to the support of others far beyond normal and demonstrated clear social responsibility and leadership through truly unique market conditions.



Our Strategy & Purpose

As a business our core purpose is to “empower people to move freely through our world-leading marketplaces”. Over the past 12 months we have continued to develop our capability inside our three strategic pillars of digital marketplaces (domestic & international), value-added services and future horizons.

Particularly pleasing has been the launch of new products into domestic and international marketplaces, the standardisation of our retail platforms making them deployable anywhere in the world, the progress we have made in globalising our trade platforms, the refocus of finance opportunities towards dealer products and the development of membership and data focused capabilities.

However, there are some areas that continue to remain challenging despite our best efforts. For instance we continue to persevere in the area of supporting dealers in selling new cars with the launch of the EPIC sale event, the launch of new car product packages and improving showroom functionality. We are pleased with the progress we have made here but there is more to do.

Bushfires and COVID-19

In January this year we were all terribly saddened by the catastrophic devastation caused by the bushfires seen around Australia but particularly on the east coast. As a company we were concerned for the welfare of our customers, their property and the communities they serve and felt it was appropriate to do what we could to support them. These support efforts were in two areas, the first was through fund raising where the Company raised over \$160,000 that was contributed to the Red Cross Bushfire Appeal. The second area of support was direct to customers

in bushfire affected areas who were supported by the Company waiving January subscription fees. In total the Company made a contribution of over \$210,000.

In mid-March the Company like the rest of the world encountered the challenges imposed by COVID-19 and its impact on consumer and commercial activity. Throughout the March to June period the Company identified and responded to business impacts exceptionally well and below is a summary of the major elements of those impacts and responses.

Major Business Impacts:

- Traffic to our sites throughout Q4 was exceptionally resilient and we saw pcp growth throughout.
- Enquiry volumes to dealers and private seller advertising fell sharply in mid-March but began to recover in mid-April and by the end of June had recovered to normal levels.
- New car sales volumes have been challenging for some time but pcp volume declines were particularly acute in Q4, which was reflected in media advertising spend and impacted display advertising revenue.
- Being a global pandemic many of the impacts above were also experienced across our portfolio of international businesses with the exception of South Korea.
- Face to face customer visitation ceased with many customers standing down either partially or fully large parts of their workforces and consolidating dealerships.
- carsales offices closed in all locations (except in South Korea) at various stages during Q4 and staff seamlessly moved to working remotely.

Chair and CEO Letter continued

Major Business Responses:

At the start of the pandemic the Company established and upheld three core decision making principles.

- The first of these has been the need to support customers and the industries that have supported the Company for over 23 years. During the pandemic with a decline in consumer car buying activity and many customers standing down staff and temporarily closing dealerships, the business decided as market leaders we needed to take an early, strong and supporting position commencing with the announcement of the COVID-19 Dealer Support Package on 23 March 2020. The support put in place included providing a 100% rebate in April, providing a 50% rebate in May, providing a 100% rebate on new car services in June and, extending credit by an additional 30 days on March to May accounts. We also provided customers with access to the carsales Employee Assistance Program (EAP) to help support individuals directly impacted by the crisis. In addition the Company ran weekly webinars for customers so they could receive live market performance data, tips on selling in a COVID-19 environment and hear from other industry leaders. These efforts in providing relief saw the Company invest \$28m back into supporting its customer base over Q4.
- The second decision making principle has been to ensure we protect the Company's greatest asset being its people. Throughout the pandemic the business committed to ensuring there were no redundancies, although around

250 customer-facing staff were partially or fully stood down as customer activity declined and all executives and the Board took 20% salary reductions in Q4. Over the course of those three months the Company hosted weekly webinars for the entire business around the world to keep people together and with an open and direct line of communication to executives.

- The third decision making principle has been to ensure the Company is well protected and there were many actions taken to ensure this. The Company focused on global cost reduction efforts in areas such as marketing, labour cost (incentive, commission and executive fixed remuneration reductions and access to the Federal Government's JobKeeper program) along with other discretionary spending areas. The Company also refinanced a tranche of debt which was maturing in 2021, and increased its debt funding and debt covenant headroom to ensure its ability to weather any longer term disruption and continue to honour its dividend policy.

We are pleased to report that despite the unprecedented conditions of the second half of FY20 the resilience of the business has been pleasing, and the Company has performed exceptionally well. All other things being equal, we expect the Company to benefit from its resilience and the decisions in FY21 and beyond.



Operational Performance

Australia

The past twelve months have been both productive and challenging. Traffic to the carsales site remained strong throughout the year generating more than 34.3m sessions in the month of June up 40% on pcp. This exceptional traffic performance has translated to carsales extending its lead over its nearest competitor to now boasting 3.44 times their traffic. Likewise, it was a similar story of growth for other sites such as boatsales, bikesales and trucksales demonstrating the strength of our brands in the minds of consumers.

Once again the used car market has remained particularly resilient and continued to perform well. Amongst the proof points of this was the strength in used car lead volumes throughout the year but particularly in the second half of Q4 where it was at record levels driving average time to sell down as inventory turnover increased.

As has been consistently reported through the year, market conditions for new vehicle sales have been persistently difficult and have continued to weaken as a result of bushfires, COVID-19, tightening credit availability and job losses particularly through Q4. The new car market is a relatively small part of the carsales Australia business but where the challenge continues to be felt is in media advertising which we look forward to seeing stabilise over the coming months.

Following a strategic review of the Stratton business the Company conducted a sale process which was completed in April 2020 and saw the sale of its 50.1% interest in Stratton to a third party. Stratton remains an external advertising customer and the Company continues to believe the finance market is an opportunity to support its core business over the long term. As a result the Company has shifted its strategic focus in finance to areas that support the finance offers of dealers.

International

The past twelve months has continued to see significant development in technology for both our domestic and international markets. We are now in the enviable position of being able to simultaneously deploy much of our retail product across both our domestic and international markets. A worthy demonstration of this was the launch of badges in Q4 in Australia and LATAM to help dealers communicate their contactless capabilities in a COVID-19 environment. The rapid deployment of this product was welcomed across all markets and in the past would not have been possible at such speed and economy. Now our focus shifts to building similar capabilities in relation to our trade product suite. In addition to bolstering our international businesses, this will enable us to quickly enter new markets with a compelling offering to the local trade.



Chair and CEO Letter continued

Our international businesses have continued to evolve well over the past twelve months and we are pleased with the progress that is being made across these markets. Encar, our South Korean company, grew strongly throughout the year, including through the COVID-19 pandemic. Great progress continues to be made there particularly with the strong expansion of Guarantee product, the strength in media sales, and new products such as Dealer Direct. Webmotors in Brazil is going from strength to strength but was disrupted through Q4 as a result of COVID-19, as were our other LATAM companies. However, across all of these markets we are in an excellent position to continue to grow well over the coming years.

People & Culture

The long-term business success of the Company has been built on the capability, loyalty and culture of the team. In FY20 more so than any other year these traits were displayed in abundance by all. Our staff turnover levels continue to remain at near record lows and staff engagement measures were the strongest they have ever been.

Our Graduate Program went from strength to strength and in 2020 we continue to be ranked 4th best in the country and 1st in IT hardware or software companies on the AAGE (Australian Association of Graduate Employers) Top Graduate Employers list.

As a business we pride ourselves on our inclusive work environment. We are an Alliance Member of Inclusive Australia, Welcome Here and a WGEA Employer of Choice all of which we are very proud of. We continue to build a workplace environment that is open, inclusive and that accepts individual differences as our inclusiveness is not only important to our business culture but also provides us with a strong and distinct competitive advantage in attracting talent.

With the global impact of the COVID-19 pandemic we used this as an opportunity to focus on further developing engagement and collaboration across all of our international and domestic businesses. Regular communication and weekly

webinars updating the business around the globe saw very strong engagement of the entire team. A global survey in late May saw favourable scores around leadership, communication and awareness in the 90%'s which was very pleasing and gives us a good platform for continuing to develop the strong carsales culture in other countries.

Debt & Capital Management

The Company has maintained a strong balance sheet throughout FY20 and regularly reviews its capital structure to ensure it is maximising shareholder returns and providing certainty and consistency when it comes to dividend payment in uncertain times like these. The Group's debt funding facility provides significant flexibility when considering future capital management opportunities as well as corporate development and the Company is conservatively leveraged at around 1.6x Net Debt (excluding AASB 16 lease liabilities) to Adjusted EBITDA.

To further strengthen its position the Company undertook a refinancing exercise in June which saw the total debt facility being resized to \$650m (from \$545m) and the maturity of its Tranche A debt being moved from July 2021 to July 2024. The refinancing and extension was oversubscribed by a syndicate of bank lenders, reflecting the resilience and strength of the carsales business.

Towards a successful FY21

FY20 proved to be another year of significant challenges and opportunity for carsales. Despite the challenges of FY20 our successes are very clearly the direct result of the decision making, passion and dedication of our people. carsales people are the envy of the markets they serve and we would like to thank publicly once again each and every one of them for what they bring to our business each day.

Finally, on behalf of the Board we would like to thank all of our customers, partners and investors around the world for their support and engagement over the past twelve months and we look forward to working with you all in FY21.



Pat O'Sullivan
Non-Executive Chair



Cameron McIntyre
Managing Director
and CEO

Our Strategy



Empower people to move freely through our world-leading marketplaces

OUR STRATEGIC PILLARS



Digital marketplaces

To grow our leadership in digital automotive classified solutions globally for our consumer and commercial customers



Value-added services

To build a compelling ecosystem of services that support dealers, OEMs, corporate customers and private consumers through the buying, selling and ownership of vehicles



Future horizons

Leveraging consumer insights and industry trends to explore new opportunities in core and adjacent markets, and beyond

supported by

OUR ENABLERS

Data

Be a 'best-in-class' data-driven company, with our unrivalled data and analytics to help customers understand their audience and commercial clients to grow their businesses

People

To be an employer of choice and destination for talent by continuously evolving our culture of inclusion, learning, leadership, performance and passion

Technology

To build 'best-in-class' global platform-based software services that exceed the expectations of our customers and drive continued growth in the carsales business

OUR UNIQUE CULTURE

DNA

Innovation | Simplicity | Customer focus

Our Values

Enjoyment | Respect | Integrity
Communication | Honesty

OUR CHOSEN GEOGRAPHIC MARKETS

Australia | South Korea | Brazil | Mexico | Chile | Argentina

COVID-19 Response and Impact



Our Australian customers and people have endured an extremely difficult FY20, first through the severe bushfire season and later the global pandemic. Throughout the pandemic, the business has been focused on three priorities:

- > supporting our industry/ customers,
- > supporting our people; and
- > supporting our business.

Actions to support our industry/customers

During early March, we observed the steady escalation of the impact of COVID-19 in Australia. This escalation included social distancing measures and restrictions on movements which significantly impacted activity in the automotive industry. Given the severe impact on our customers, we took the decision to provide a range of assistance measures including financial, counselling, education and product support.

We took these decisions prior to the government announcing its major wage support packages and are proud about the decisive nature and magnitude of our response. These measures have been well received by our customers and we believe this will strengthen our relationship with our customers going forward.

Financial support

The total support provided to dealers approximated \$28m which contributed to reducing dealers' short-term operating costs and demonstrates carsales' commitment to supporting the Australian industry it serves. carsales provided a 100% rebate in April, provided a 50% rebate in May and provided a 100% rebate on new car services in June. carsales also extended payment terms over March to May period by 30 days and provided access for customers to our employee counselling service at no charge.

Product innovation and educational support

carsales also launched new products to enable dealers to communicate more effectively with their customers in a COVID-19 environment. This included 'Buy from Home' badges which help consumers engage with sellers without having to leave their home.

Sellers can highlight services they offer, including home test drives, video calls, finance applications and trade-in valuations. Currently there are over 40,000 listings which feature the distinctive 'Buy from Home' badge on carsales.com.au. With many open air trade shows cancelled, our caravaningsales.com business launched its first-ever Great Outdoors Online Expo, offering hundreds of show-special deals on caravans, campervans, motorhomes and camper trailers.

carsales has also held multiple webinars throughout the crisis to ensure our customers are up to date with industry support measures and the latest insights of what we are seeing through our platform.

Actions to support our people

The health and wellbeing of our people has been paramount throughout this crisis. Our people have shown amazing resilience and dedication and have guided the business skillfully through this extremely challenging period.

There have been significant pressures and strains placed on our people and accordingly we have implemented a range of measures to help support them. A number of these measures are detailed in the People & Culture section of this report.

Actions to support our business

Cost management

Given the financial impact associated with the crisis, carsales implemented a number of cost savings initiatives to mitigate the impact of reduced market activity and lower revenue.

This cost management program was carefully balanced to support the short-term performance of the business as well as its long-term strategic priorities and growth agenda. The cost management initiatives included the following:

- Board and Executive remuneration reduced by 20% from 1 April 2020 to 30 June 2020;
- Approximately 250 employees in Australia were stood down temporarily, with most of these on a partial basis. This was predominantly in external customer-facing roles where activities had been impacted by changes to customer's operations resulting from government restrictions and social distancing measures; and
- Reduction of other discretionary costs across the business such as outdoor brand marketing.

Debt refinance and dividends

carsales' strong balance sheet and prudent gearing levels enabled it to support its customers and employees through the crisis. In June, carsales confirmed it had refinanced, extended and increased its debt facilities which further strengthens this position heading into FY21.

The resilient performance of the business has also enabled carsales to maintain its dividend payments and future commitments.

Our Australian Business

Key Brands



Key carsales Australia stats

4.89m

unique audience

up 40% YOY¹

34.3m

sessions

up 40% YOY¹

2.5m

editorial sessions

up 97% YOY¹

+900k

dealer used cars sold via carsales platform per annum²

+14.5b

ad impressions delivered by the carsales network per annum³

1m

referral clicks driven to OEM website each quarter³

>6m

members across the carsales network³

1.7m

unique listings per year³

12.5m

minutes of network video content in FY20³

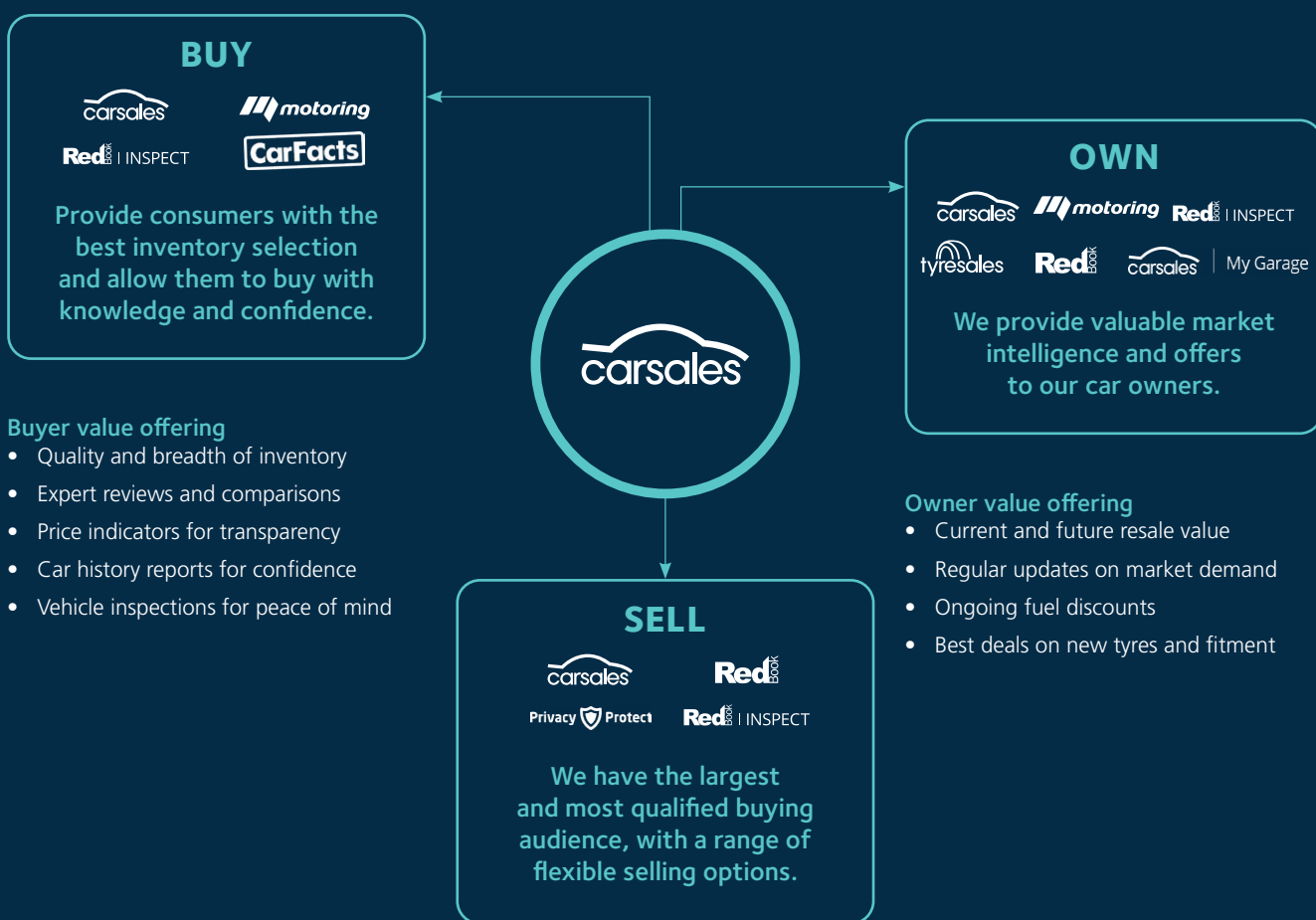
1. Source: Nielsen DCR, June 2020.

2. Aggregate from automotive websites in Australia as at 30 June 2020.

3. carsales internal data.



We connect buyers and sellers through frictionless marketplaces and provide ongoing value during each stage of the ownership lifecycle.



Buyer value offering

- Quality and breadth of inventory
- Expert reviews and comparisons
- Price indicators for transparency
- Car history reports for confidence
- Vehicle inspections for peace of mind

Owner value offering

- Current and future resale value
- Regular updates on market demand
- Ongoing fuel discounts
- Best deals on new tyres and fitment

Seller value offering

- Largest audience
- Multiple retail ad options for flexibility
- Option to sell via the wholesale channel for speed
- Tools to assist with price setting
- Virtual number to protect personal information

Our Australian Business continued

Australian Business Highlights

We have made excellent progress this year advancing our strategic pillars by growing our digital marketplace leadership, advancing our eco-system of value-added services and continuing to invest in our future horizon opportunities for growth.

Growing our audience and market leadership

carsales has the largest and most engaged consumer audience. Our continued investment and innovation to improve the onsite experience for our customers has driven strong growth in our audience metrics and market leadership position this year. We responded to the unique challenges presented by COVID-19, updating the presentation of a dealer's stock items to include easy to understand badges that highlight key information around services, capabilities and sanitisation.

+8%

FY20 audience visits

Growing 'Instant Offer'

Our 'Instant Offer' product provides a fast and convenient option for consumers to sell their car through carsales. We have continued to optimise our user experience and conversion through both refinements to our proprietary pricing engine and expansion of our wholesale supply network. This has resulted in a material uplift in revenue and yield in our core private business.

+33%

FY20 lead to sale conversion

Increasing depth revenue

Our customers can promote their listings and attract more interest from buyers through our depth products. These products continue to demonstrate good growth, providing our dealers and private sellers with the opportunity to differentiate their listings in a congested market, reducing time to sell and increasing stock turn rates.

+94%

Number of dealers using depth automation vs pcg

Improving our new car offering

carsales launched a redeveloped New Car Showroom In January 2020. The new site offers improved searching options on model variants and better access to new car deals. This improved consumer experience has driven a significant uplift in both engagement and revenue outcomes from a new car perspective.

+17%

FY20 new car showroom leads



Growing our membership base and customer personalisation

We launched our Owner Accelerate program which provides our members with access to personalised, real-time insights on their vehicle, such as current demand and resale value. We also deployed MyFeed, an AI based tool that provides carsales users with a personalised native content experience based on their search behaviour and preferences. These initiatives resulted in a significant uplift in both the size and engagement of carsales members.

+45%

Cars in our Virtual Membership Garage

Strong performance from our Consumer, Industry and Leisure (CIL) Business

carsales operates a number of market leading non-automotive classified websites including bikes, boats, caravans, trucks and heavy equipment. These websites have demonstrated strong growth over the last year, leveraging carsales' market leading technology platform and deploying innovative customer solutions through COVID-19, including our recent online caravan trade show.

+10%

FY20 CIL revenue growth

Our International Business

Our International investment strategy

01.

Establish clear leading position

Increase sustainable quality audience and traffic through SEO optimisation and brand marketing

Deploy key technology programs to drive optimal consumer and dealer user experience

Aggressive dealer acquisition resulting in increased listing volumes

Pursue local complementary partner integrations e.g. finance, insurance etc

 demotores.com

 solocautos.mx

02.

Monetise and extend clear leading position

Educate and articulate value to dealers and drive focus on conversion from lead to sale

Rapid increase in penetration of key dealer and OEM products

Regional expansion

Expand profitability via scalable revenue growth

 iCarAsia

 chileautos.cl

 Trust Encar

 webmotors

03.

Leverage clear leading position

Yield growth through premium products that drive ROI for dealers and consumers

Optimise adjacency strategy to drive additional growth

Achieve 55%+ EBITDA margins via scalable growth

 carsales

Key carsales International stats

5 countries

(excl. Australia)

**in No. 1 market
leading positions**

13%

**look through
revenue growth**

34%

**leads volume
growth YoY**



Encar (South Korea)

Impressive FY20 results given challenging conditions. Encar has maintained its position as the trusted source for buying and selling vehicles. This success has been achieved through:

Increased penetration and strong expansion of the Encar Guarantee Vehicle program

The product confirms:

- The car exists at the dealership
- The car has not been involved in any accidents damaging the main frame
- The specifications of the car are advertised correctly

For consumers, the Guarantee provides peace of mind and comfort when purchasing the car from a dealer. For dealers, Guarantee cars receive more leads, sell faster and hold price better.

There is continued potential to expand the number of branches in FY21.

+52%

Revenue growth year on year

- Opening of 9 new branches in FY20 combined with better utilisation of existing branches
- Increase in yield achieved through price rise in FY20

Growing penetration of the Dealer Direct Product

Multiple dealers participate in a 24-hour auction for a consumer's car.

Due to the competitive nature of the process, the consumer accepts a price that is usually only 5-15% lower than what they would ordinarily receive in a private sale process, but in a faster and more efficient way.

The successful dealer pays a success fee as well as a recurring flat monthly fee to participate in auctions.

+199%

Product usage in H2

- 365 participating dealers in FY20
- Strong run rates into FY21

New Home Delivery product (launched in July 2019), bringing the entire searching, inspection and buying process online

Once the customer has chosen the vehicle and applied for the service, Encar consultants carry out the Guarantee inspection.

The customer makes full payment to an escrow service and once delivery is made, the payment is released to the dealer. Customers have a 7-day cooling off period to access refunds.

+6.2x

Order fulfillment volume since launch date

Expected to grow in FY21 and become a meaningful revenue contributor

Strengthening its market leading positioning

This year the business saw growth in its unique audience numbers, traffic to site and its search engine optimisation strength to greatly increase its overall audience leadership over competitors.

+15%

Increase in visits vs pcp

+14%

Increase in leads vs pcp

Our International Business continued

Webmotors (Brazil)

This year, Webmotors has continued on its journey as setting the standard in what innovation and a growth mindset can achieve. The business has displayed an exceptional level of resilience to challenging market conditions whilst consolidating its No.1 market position. Key highlights include:

Enhancement of the Consumer Finance Product

Growth driven by a digital integration with Santander bank, which allows seamless credit assessment, including approval into Cockpit, Webmotors' CRM tool:

- Consumer enters personal information and social security number
- Banco Santander offers pre-approval and a personalised interest rate
- The Webmotors app issues a unique voucher to the consumer
- The consumer scans the voucher at the dealership to initiate the loan

By bringing the consumer's awareness of the dealer's finance offering early in the sale process, we are improving finance conversion rates for our dealers.

+300%

Growth achieved vs pcp

Finance revenue now a material contributor, comprising more than 15% of overall revenue

Commencement of a large scale regional expansion plan

In H2 FY20, Webmotors commenced aggressively expanding into regional areas outside of the Sao Paulo area, delivering a material uplift in dealer numbers, traffic and leads.

The onset of the COVID-19 pandemic has put this plan on hold but highlights the opportunity for the business to grow organically once the plan recommences.

+1,000

New dealers vs pcp

Leads up 60 – 70% in certain regions

Product and technology innovation through COVID-19 crisis

Webmotors provided dealers with free access to Webmotors CRM + smart subscription, rolled out an in-app video conferencing feature and launched a car delivery service.

The dealers are responsible for the digital contract generation, signing and delivery of the vehicle:

- Identify listings with delivery badges
- Request photos and price negotiation with dealers
- The contract is arranged by the dealer
- The vehicle is delivered to the consumer by the dealer

Access to the advanced subscription will be monetised commencing July 2020 onwards as Webmotors saw a strong up-take during the free trial period.

+57%

Leads growth



LATAM (Chile, Mexico and Argentina)

FY20 has been a challenging year in our LATAM markets. First with the civil unrest in Chile followed by the global pandemic. We have focused on continuing to deploy our world-class technology and products to ensure we drive our market leadership as we emerge from the crisis.

Key highlights include:

carsales Global Platform deployment

We strive to think global in everything we do in order to achieve our strategy of having best-in-class global platform-based services. This year, we saw the deployment of our retail front end Global Platform enabling the efficient roll out of carsales' suite of products into LATAM.

New Products Launched

- Premium Ads
- Top Spot
- Have You Considered
- WhatsApp Leads
- Inspect Pro
- Instant Offer

Launched Universidad soloautos & Demotores Campus

Launched in FY20, this learning opportunity provides local dealers in Mexico and Argentina the ability to participate in a unique program that offers access to our experts and showcases how data and insights can produce smarter business interactions.

>1,000

Attendees to webinars in LATAM

Developed key third party partnerships

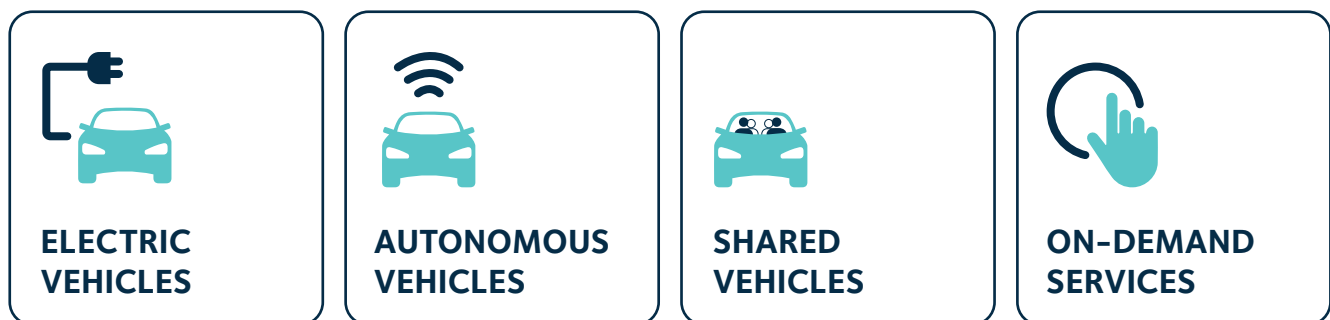
In FY20, each local marketplace developed key partnerships in the business community to bolster offerings, in efforts to further strengthen clear market leadership positions.

New Commercial Partnerships

- Vehicle history reports
- Instant Offer partnerships
- Financing partnerships

Future Horizon

A number of 'mega-trends' will shape the transport sector in the medium to long term...



... and carsales is uniquely positioned to respond to and benefit from these trends.

As one of Australia's original technology disruptors, we have a clear appreciation of the need to be ready to exploit the opportunities of the future as global mega-trends begin to influence our markets.

There are a number of global mega-trends that will have a profound impact on how the world thinks about mobility and transportation over the next 50 years and our business is well placed to take advantage of these changes.

The most obvious and immediate change is the shift towards electric vehicles which comprise around 2% of our total Australian onsite inventory (hybrid and pure electric vehicles) and about 9% of Australian new car sales in June 2020. Our core products and services stand to benefit from the consumer demand towards these vehicles as we provide a clear comparison between all of the available vehicles types and technologies in the market, whether new or used, fossil fuel, electric or hybrid.

Autonomy in vehicles is still in its infancy, although many new vehicles incorporate basic autonomous functions such as adaptive cruise control and lane keeping assist. As these technologies become more common, we expect consumer demand for vehicles with those features to increase, leading to greater transaction volume in the market place as safety-conscious consumers look to upgrade their vehicles. Fully

autonomous 'door-to-door' capability in vehicles remains the ultimate goal for the automotive industry but on current progress it will take many decades to become the most common vehicle type on our roads.

The sharing economy and on-demand services are changing old business models, such as ridesharing companies disrupting the taxi industry, but are not yet changing the dynamics of traditional car ownership in our markets. Car subscriptions are being trialled by OEMs in selected markets to test consumer appetite and tailor the business model for potential wider mass-market launch in years to come. As an aggregator of inventory, carsales is well positioned to take advantage of these shifts, allowing consumers to cross-shop the existing and future models of car ownership/usage against each other across various manufacturers.

We are constantly investing in our future and in future technologies. Our investment in new technologies and programs like voice search, big data, blockchain, Artificial Intelligence and machine learning program play a part in our future as we seek to create a truly frictionless experience in buying, selling and using vehicles.

No other business has the strength of trusted relationships with consumers, manufacturers, dealers, financiers and insurers that we have. While the long-term future for carsales may not be only about buying and selling cars, the Company will continue to be at the forefront of new trends and be central to the way people interact with mobility and transportation.

Our People. Our Culture.

Our people across the globe make our business a success. We continue to work with passion, united by our purpose – to empower people to move freely through our world-leading marketplaces.

This year was one where we embraced many new ways of working. Unprecedented events such as the COVID-19 pandemic and the Australian bushfires have tested everyone's resilience. What our people have done in the last 12 months has been nothing short of impressive – with each and every individual demonstrating focus on the task ahead, passion in how we approach our work, our customers, stakeholders and most importantly – each other.

We are proud of our high-performance and inclusive culture. 2020 has also shown us the importance of connectedness. From weekly carsales catch-ups hosted by Cameron and the ELT, to making sure we start every meeting by asking "How are you?", we are committed to being there for each other.

It is the passion of our people that has again led us to being formally acknowledged as a Great Place to Work in 2020 by Great Place to Work Australia for the second consecutive year. This recognition truly reflects how committed our people are and how committed we are to our people.



In March 2020, the nine-month refurbishment project of our office in Cremorne officially concluded. This was a significant investment in our office environment, and was done to enable our people to come together to connect, socialise and showcase achievements. Some of the changes to our office through the refurbishment include the introduction of additional collaborative spaces, integrated smart technology, an end-of-trip facility, electric charging stations, change-rooms, and an auditorium.

A year of listening

Our business has a proud history and big future. We are always striving to be a global employer of choice which means that feedback from our people is essential for us to evolve. Each year we gather feedback through our global engagement survey and pulse surveys with over 80% participation rates.

Our surveys show that our team is staying connected – even while working remotely. During the COVID-19 pandemic we put many additional support measures in place and 93% of our people identified that they have adapted well to the change in working environment, with an additional 82% of our people agreeing that we are collaborating and innovating well with each other to get the job done.

Results have also shown that our people remain proud to work for carsales. Our people have told us they value the support and balance that is provided by the business and further, 85% of our people have shared that they believe their manager genuinely cares about their wellbeing.

The carsales Graduate Program

Going from strength to strength, our Graduate Program has continued to attract the brightest and most impressive talents. We're proud of the program that gives our graduates a broad carsales experience and provides formal mentoring and support from our talented people. This year we received almost 1,500 applications for our 2021 program – making it extremely difficult for us to choose from such impressive talents.

The program is targeted to enhance the growth areas of our business – with a key focus in Data and Insights, Artificial Intelligence, Quality Assurance, DevOps and Product Development. We were proud to be recognised again this year as an Australian Association of Graduate Employers (AAGE) Top Graduate Employer, and even further privileged to be placed #1 in the Technology Company category.





Photographer, Tim Carrafa



Our People. Our Culture. continued

Case study – Our people responding to crisis in the community

Just like our core values guide us in the workplace, they also fuel our work in the community. There is no doubt that the final months of FY20 have been impacted by the social, health and economic crisis that has unfolded across the globe. We are proud of the way our people have responded and the efforts we have made to support our team, our customers and the wider community.

In January, our people had a clear focus – to support those across the country who had been directly impacted by the fires that ravaged much of Australia's east coast. The team rallied together and through the carsales Foundation, the business donated \$160,000 to the Australian Red Cross bushfire appeal. The leadership team and Board also agreed to offer additional support to customers who had been impacted by bushfires. The generosity did not end with financial offerings, the team also rallied to showcase communities who would benefit from local tourism efforts through Show the Esky challenges and editorial content.

Simultaneously, we were preparing ourselves for the World Health Organisation's declaration of the COVID-19 pandemic. The impact of COVID-19 and the true devastation it has had on nations is unparalleled – with some of these being markets in which our business operates. From as early as January, our people were reminded that their health and safety is the number one priority. All travel was rescheduled, the Company prepared the network and technology capabilities to ensure business continuity and in early March – all people in the team were asked to work remotely. We are really proud of how our people have adapted to the change in operating rhythms and continued to service our customers and consumers through this time.

carsales has continued to offer businesses in the community directly impacted by the restrictions financial reprieve throughout the months of March to June. We have supported our dealer customers with regular webinars led by our Industry experts, released dozens of products that make the buying and selling process easier during this pandemic and also ensured that we were constantly able to provide a free-flow of communication and connection between our people, leadership team and those businesses in the community we work with. Despite the financial offerings, what we are most proud to have done was extend our Employee Assistance Program to our clients and customers – to ensure that each and every person would have access to a professional psychologist that could provide support 24/7.

Learning and Development

Our people thrive off sharing knowledge, it's a fundamental element to our culture. We know that learning looks and feels different for everyone – so carsales provides many different learning opportunities.

Talking about learning and development is formalised through our Supercharge program. Supercharge is unique to carsales and was developed using data and feedback from our people, collected over nine years. It is a structured and aligned framework with a focus on career, learning, feedback and reflection. What sets it apart is that it's agile and can be customised based on teams and tailored to individuals. Throughout the calendar year, there are four main conversations that are scheduled with each team member and their manager, and all are focused on areas of development and growth.

This year our combined learning and development program saw more than 1,200 hours utilised across the business, ranging from our Mentoring and Buddy program, knowledge sharing workshops, soft skills training, online learning, external conferences, Spanish lessons, our CEO Scholarship and a range of other external professional development workshops.

Learning does not just flow in one direction at carsales. We love to share what we know with each other. Our Expert Series where our own talented people deliver workshops on their area of expertise are the most popular learning sessions, with attendance reaching over 100 people in many of the sessions. We also learned about gratitude via our Gratitude Challenge where we spent 30 days asking everyone to share what they were grateful for. This was a unique way to remind us to frame our thinking and celebrate positives.



Our people are also proud to share their skills and knowledge. Throughout the year we grew our network to support the next generation of innovators and this includes supporting people through mentoring, internships and work experience. In the past 12 months we have deepened our relationship with Monash University and La Trobe University to create pathways and opportunities for graduates.

Our People. Our Culture. continued

Hackathons

Innovation is at the core of our culture and Hackathons are one of our biggest internal events of the year. A Hack is about giving our talented team the creative freedom to spend three days generating concepts and working prototypes to benefit our customers and our consumers.

In 2019, our Hackathon was focused on our GPS2022 strategy and the concept of global. We had more than 20 teams, with 360 people from across the globe involved. It was an excellent display of innovation and our three award recipients ranged from new product ideation, how our business can continue to add value in the marketplace and how we can use our platform to begin the conversation on what the future of mobility looks like.

Hackathons are not just about ideas, we like to bring those ideas to life. One of the ideas in our 2019 Hack to enhance and streamline our search functionality across our sites was proudly released in March across a number of our websites – with the intention of it going onto our global platform in the coming months. It will be one of the most used features across our sites and is just another way in which we are able to simplify our consumer experience.



carsales Foundation

Our culture extends beyond impressive statistics. In the past 12 months our people have significantly engaged with the local and wider community. We encourage people to take initiative with their annual Community Day and to volunteer with a cause that is close to their heart. We also prioritise giving back via the carsales Foundation. The Foundation is our independent, registered charity that was created to formalise our community outreach programs, and the vision is simple: 'To positively impact our community by promoting inclusion and supporting equal access to education.' The Foundation's four core pillars clearly define how we can make a real impact. These pillars are:

Pillar 1: Community Grants

Anyone in our business can nominate a charity that they are passionate about to receive a grant of up to \$500.

Pillar 2: University education

The Foundation supports a female to study Technology at Swinburne University through a Women in IT scholarship.

Pillar 3: Prevention of family & domestic violence

Donating to shelters and family support networks.

Pillar 4: Primary and secondary school education

Providing support to primary and secondary school kids under financial hardship, via The Smith Family.

These four pillars have seen our people extend their generosity in various ways from donating to the annual Smith Family Christmas Appeal, being actively involved in the Learning For Life program, mentoring students in years 9 to 11 through The Smith Family's platform or using the carsales Foundation as a way to highlight a cause in the community.



CS IN SCHOOLS

This year, we have closely partnered with the CS in Schools program. CS in Schools exists to help schools create relevant and meaningful education by providing a complete DigiTech pathway for all secondary students, developing teacher confidence to teach digital technology, and creating industry connections with schools. This year, 11 of our passionate developers spent half a day each week for 12 weeks supporting teachers from across eight secondary schools – all with the goal to help the future generation understand and be interested in technology.



#wearecarsales

Our People. Our Culture. continued

Diversity and Inclusion

carsales is proud to be a workplace that promotes, respects and embraces diversity and inclusion. We firmly believe in fostering a supportive and inclusive environment that values and encourages the ideas, capabilities and experiences of our team. Some of the things we are proud of this year were:

- For the fifth consecutive year, we achieved the Workforce Gender Equality Agency Employer of Choice citation. This reflects our ongoing commitment to achieving a gender diverse workplace.



- Our CEO, Cameron McIntyre has again been active within the community as a WGEA Pay Equity Ambassador and a board member for Inclusive Australia.
- We continue to have conversations in the workplace on promoting respectful relationships and preventing violence against women.
- We sponsored the Man with a Pram event which is designed to bring fathers and families together across the country to build stronger local communities and raise awareness and funds for programs that support fathers and families.
- On one of the most important days on the carsales calendar, we celebrated International Women's Day. This year we invited the very impressive Dr Jessica Gallagher – a record-breaking Paralympian, sport ambassador and all round trailblazer to share her journey as someone who embodies the #eachforequal spirit.
- We were proud to maintain being a Breastfeeding accredited workplace.



- We have invested a lot in training around Diversity and Inclusion for our people which has meant that in the last 12 months 268 people have completed 'Understanding unconscious bias', 261 people have undertaken 'Understanding diversity and inclusion' training and 46 have completed 'Strategies for tackling unconscious bias'.
- We celebrated IDAHOBIT – International Day Against Homophobia, Biphobia, Interphobia & Transphobia – right across Australia and continue to be a workplace that supports the Welcome Here project.



- Our Women In Tech (WIT) program is proactive in seeking opportunities to promote young women to consider a career in technology. Their passion is to break down perceptions and empower young people to understand technology is part of everyday life.



- In FY19/20 our WIT program was involved in the sponsorship of Go Girl 2020, hosted monthly lunch and learn sessions to support the professional development, proudly sponsored a paid internship with carsales for a female completing the Coder Academy x Code Like a Girl bootcamp, created and built a number of selling platforms for the carsales Foundation internal fund raising efforts and also shared their story via the carsales Medium blog page. The WIT participants at carsales encourage all people within the business to come along to their sessions and become involved in this incredibly important conversation.
- We love meeting the kids of carsales and in FY20, our Kids Coding Camp returned for the third year, with more than 45 children (ranging from 5 to 12-year olds) coming into our Melbourne office across two days to learn from a unique curriculum focused on building excitement on what technology can do as well as providing exposure to machine learning, Mbots and more.

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Operational and Financial Review

Principal Activities

carsales is the leading digital automotive marketplace in Australia, with a growing global presence in Asia and Latin America. We are the go-to place to buy and sell cars, bikes, boats, trucks, caravans and much more across our network of sites (set out on page 16 and 20).

Our key services, customers and geographies for continuing operations include:

Online Advertising Services

carsales' Online Advertising Services can be broken into two key product sets – classified advertising and media advertising services.

- Classified advertising allows our private and dealer customers to advertise automotive and non-automotive goods and services for sale across the carsales network. This segment includes products such as subscriptions, lead fees, listing fees and priority placement services (depth products).
- Media advertising involves carsales' corporate customers, such as automotive manufacturers/importers, finance and insurance companies etc., placing display advertising for their brand or vehicle on carsales' websites. These advertisements typically display the product or service offerings of the corporate advertiser as banner advertisements, video content or other sponsored links.
- Online advertising includes carsales' investments in tyresales which is an online tyre advertisement website that allows consumers to transact and purchase tyres as well as RedBook Inspect which provides inspection services to a range of corporate and private consumers which may be published online as part of classified advertisements.

Data, Research and Services

This segment comprises a diverse range of solutions for our customers including software as a service, research and reporting, valuations, appraisals, website development and hosting and photography services.

International

carsales has multiple operations outside of Australia through subsidiaries, equity accounted associate investments and financial asset investments as set out below (subsidiaries unless otherwise stated):

carsales Asia

- South Korea – Encar.com. This is our major business in this segment. Encar.com is the market leading digital automotive classified business in South Korea (100% owned).
- South East Asia – iCar Asia Limited. iCar Asia is the leading online automotive portal in South East Asia with operations in Indonesia, Malaysia and Thailand (11.7% owned, held as an investment).
- Redbook Asia – provides automotive data services in Malaysia, Thailand and China.

carsales Latin America

Online Automotive Classifieds:

- Webmotors S.A. (operations in Brazil) – 30% (equity accounted)
- carsales Mexico SAPI de CV (soloautos) (operations in Mexico) – 100%
- Chileautos SpA (operations in Chile) – 100%
- Demotores Chile SpA (operations in Chile) – 100%
- Demotores S.A. (operations in Argentina) – 100%

In addition, the Group has small investments in other companies including RateSetter Australia Pty Ltd and PromisePay Pte Ltd, both of which are accounted for as financial asset investments. Both businesses provide innovative fintech products to consumer and commercial customers.

Finance and Related Services – Discontinued Operations

The previously disclosed Finance and Related Services Segment includes the Stratton Finance Pty Ltd subsidiary, which provides innovative finance arrangements for vehicles, boats, and other leisure items, vehicle procurement and other related services to customers. Revenues arise from commissions paid by finance providers and other related service providers. The Group finalised the sale of Stratton Finance Pty Ltd in April 2020.

Directors' Report continued

Group Financial Results

Impact of COVID-19 on our operating environment

The increasing severity of social distancing measures imposed in Australia across March 2020 significantly impacted the automotive industry and our customers, which translated into a reduction in buying and selling activity on carsales. In support of our dealers, carsales provided a 100% rebate in April, provided a 50% rebate in May and provided a 100% rebate on new car services in June. As infection rates declined and social distancing measures have been eased, we observed a strong recovery in transaction activity in the Australian automotive industry from late April to the end of June. In South Korea, our Encar business has performed very well throughout FY20 and has not been significantly impacted by COVID-19, with the spread of the virus well controlled in South Korea to date. Increasing infection rates in the LATAM region have significantly impacted the automotive sector in our countries of operation comprising Brazil, Mexico, Chile and Argentina.

Financial Review

In a very challenging environment, the Group delivered a pleasing financial performance in FY20, highlighting the underlying resilience of the carsales business model. Group operating revenue from continuing operations decreased 5% to \$395.6m on the prior comparative period (pcp). However, excluding the rebates provided in support of our dealers in April to June, Adjusted Revenue grew 1% on pcp. Adjusted EBITDA from continuing operations was up 6% on pcp to \$231.8m with EBITDA margins of 55% reflecting continued operating leverage in our business and the benefit of our cost saving program to mitigate the impact of the COVID-19 pandemic. Adjusted NPAT from continuing operations attributable to the owners of carsales.com Ltd was \$138.2m, up 6% on pcp. Reported NPAT attributable to the owners of carsales.com Ltd was \$119.9m, down 9% on pcp, principally reflecting the impact of the support package provided to our dealer customers.

The Directors believe the additional information on International Financial Reporting Standards (IFRS) measures included in this report is relevant and useful in measuring the financial performance of the Group. In particular, the presentation of 'Adjusted Revenue' ' Adjusted EBITDA', 'Adjusted Net Profit After Tax' and 'Adjusted earnings per share' provides the best measure to assess the performance of the Group by excluding certain non-recurring or non-cash items relating to rebates, restructuring, financing, tax, investments and acquired intangible amortisation from the reported IFRS measures. A reconciliation of Reported Net Profit After Tax to Adjusted Net Profit After Tax is set out in Note 5.

Revenue

All references to revenue outcomes below reflect 'Adjusted Revenue' outcomes which add back the rebates provided to our dealers in April, May and June.

Online Advertising Services

- Dealer Adjusted Revenue was up 10% on pcp to \$168.7m reflecting both solid growth in revenue from traditional transactional products (particularly lead volumes) as well as continued growth in the demand for premium listing and depth products. Lead volume growth was driven by multiple factors including a resilient used car market, growing our audience share, and likely changes in car buying behaviour due to COVID-19. We continue to grow the use of our promote products through increasing the sophistication of our product set as well as continuing to educate our customers about the benefits of priority listings.
- Private revenue was down 5% on pcp to \$77.8m reflecting the negative impact of the COVID-19 pandemic on volumes in our key product areas of private online ads, inspections and tyresales in the second half of the financial year. In the first half of the financial year, Private revenue was up 7% driven by increasing penetration of our Instant Offer product and tyresales volume growth.
- Media revenue was down 22% to \$50.2m which reflected very challenging market conditions in the automotive advertising market, with new car sales down 14% in FY20 on pcp. The COVID-19 pandemic exacerbated an already weak new car market with new car sales down 27% in Q4 of FY20 which translated into a material reduction in OEM advertising budgets. Our significantly improved native and video product portfolio enabled us to partly mitigate the sharp decline in the advertising market and leaves the business in a good position for when the advertising market recovers.

Data, Research and Services

Data, Research and Services Adjusted Revenue was flat at \$43.3m, reflecting the negative impact of the COVID-19 pandemic in the second half of the financial year as well as the intentional exit of some low margin products and contracts in the first half of the year. The underlying demand for our Data, Research and Services from OEMs, dealers and corporate customers continues to be solid with the business drawing on its investments in data and analytics to address changing customer needs in an increasingly data driven market place. There was solid growth from our trust products, including carfacts and warranty, as our core RedBook business continued to grow volume and yield.

carsales International

carsales Asia

carsales Asia revenue was up 16% to \$75.5m primarily reflecting the performance of the Encar.com business in South Korea which is the primary component of this segment. Underlying revenue growth of 17% in South Korea was driven by the increased uptake of the Guarantee vehicle inspection service, the growth in vehicles listed on the site, attaining additional share of media spend by OEM customers and increasing penetration of the Dealer Direct (Instant Offer) product. The Company also operates its RedBook data business throughout Asia which showed solid revenue growth of 6% on pcp.

carsales Latin America

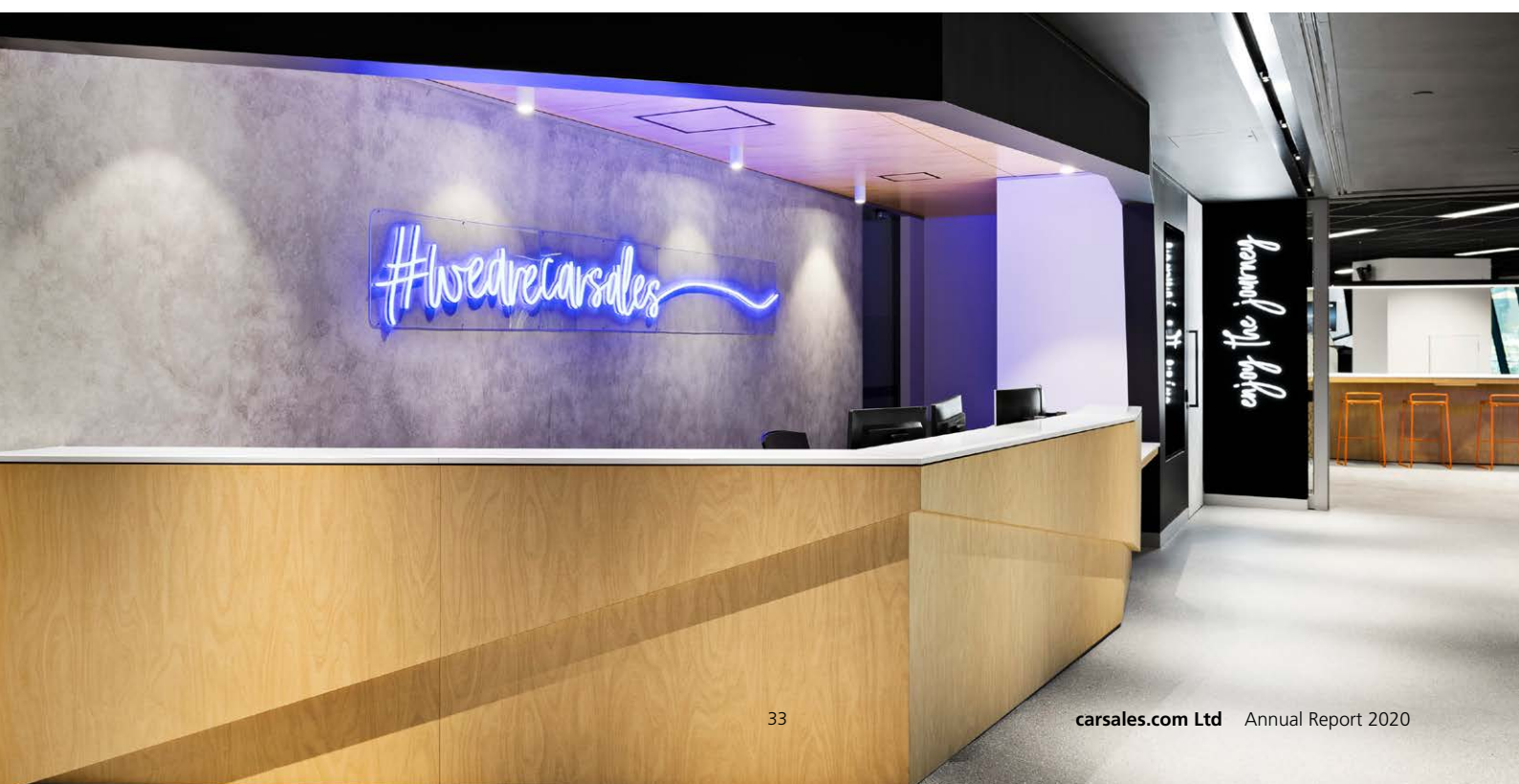
The Company owns online automotive advertising companies operating in Mexico, Chile and Argentina. Combined revenue down 16% in the region comprises very good growth in Mexico, offset by weakness in Chile and Argentina. Revenue growth rates in all countries have been impacted by the increasing COVID-19 infection rates and social distancing measures in the LATAM region.

The Group's largest investment in the Latin America region is in Brazil (Webmotors) where the Group owns a 30% stake in Webmotors – the revenue performance of this business is not included in the consolidated results as it is equity accounted. In FY20, Webmotors recorded good local currency revenue growth of 17% on pcp reflecting the continued expansion of dealer numbers and website traffic as well as an increasing contribution from finance revenues.

Adjusted EBITDA and Adjusted NPAT

Operating costs of \$191.3m were down \$8.3m or 4% on pcp resulting in Adjusted EBITDA being up 6% on pcp to \$231.8m. Adjusted EBITDA margins increased from 52% to 55% reflecting continued operating leverage in our business, the benefit of our cost saving program to mitigate the impact of the COVID-19 pandemic. The benefits of these savings flowed through to Adjusted NPAT, which was also up 6% on pcp to \$138.2m.

Reported Revenue, Reported EBITDA and Reported NPAT metrics were all lower than Adjusted metrics, largely reflecting the impact of the COVID-19 Dealer Support Package provided to our dealers. A reconciliation of Reported and Adjusted metrics is included in the Financial Statements and Investor Presentation.



Directors' Report continued

FY21 Trading Observations

Overall Summary

- COVID-19 continues to create uncertainty in our operating environment.
- We remain committed to supporting our people through these challenging times.
- While lockdowns in most regions have been lifted, Metro Melbourne and Regional Victoria are currently in stage 4 and 3 lockdowns and localised lockdowns in other jurisdictions remain a real possibility.
- We will continue to focus on managing costs.
- We remain committed to investing in product and market leading positions.
- Business is well diversified across geography and product – international now represents 19% of look-through EBITDA, significant diversification in Australia across states and territories.
- Used car market has proven very resilient with volumes rebounding quickly after lockdowns have been lifted, business has limited exposure to new car market.
- Trends coming out of COVID-19 very positive for carsales – continued digital adoption, increased propensity for car ownership.
- Business is well funded with low gearing, strong liquidity and strong cash generation to fund growth capital and dividends.

Specific Trading Observations

Given the continuing uncertainty due to COVID-19, we are not providing specific guidance on our financial expectations for FY21. We do, however provide the following current trading observations.

Australia

- Dealer:
 - In July 2020, overall lead volumes grew strongly on the prior corresponding period (pcp).
 - Lead volumes in Victoria are now being impacted by the metro Melbourne restrictions. Other states still showing strong growth on pcp.
 - Implemented Dealer support package for metro Melbourne dealers – 100% rebate on all fees from 6th of August 2020 until stage 4 restrictions are lifted.

- Private:
 - Private listing volumes had largely recovered to pre-COVID-19 levels in July 2020.
 - Listing volumes now being impacted by stage 4 metro Melbourne restrictions. Other states still performing well, recording pre-COVID-19 listing volumes.
 - Lower volumes in tyresales expected in FY21 reflecting Q4 run rate and metro Melbourne restrictions.
- Media and new car market:
 - Improving signs in new car activity in June and July, with some recovery in media revenue run rate against pcp. Stage 4 restrictions in Melbourne could impact this recovery. Expecting media revenue to be lower than pcp in the first half.

International

- South Korea:
 - At the start of FY21, key operating metrics of inventory, listing volumes and traffic are all growing well reinforcing continued good growth in revenue and EBITDA on pcp.
- Brazil:
 - Despite high continuing infection rates, we have observed a good rebound in key metrics since June as Brazil emerges from lockdown. Traffic, leads and revenue are now showing growth on pcp in early FY21.
- LATAM
 - Key operating metrics still impacted by continuing restrictions in Chile, Mexico and Argentina. Profitability being well managed through strong cost control. In a good position to leverage unserved consumer demand and recent product development investment as countries emerge from COVID-19 restrictions.

Corporate Governance

carsales is committed to being ethical, transparent and accountable in everything we do.

We believe this is essential for the long-term performance and sustainability of our Company and supports the interests of our shareholders and other stakeholders. The Board of Directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance Company performance and build sustainable value for shareholders.

This corporate governance framework acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support our business operations, deliver on our strategy, monitor performance and manage risk. Our FY20 Corporate Governance Statement addresses the recommendations contained in the fourth edition of the ASX Principles and Recommendations and is available on our website at <http://shareholder.carsales.com.au/Investor-Centre/>.

Environmental, Social and Governance Report

At carsales, we take our ability to have a positive impact on society extremely seriously.

carsales is pleased that many of its shareholders are interested to learn more about the Company's approach to governance, and its social and environmental impact. To this end, carsales has published its Environmental, Social and Governance Report for 2020, available on our Corporate Governance page of our investor website at <http://shareholder.carsales.com.au/Investor-Centre/>.

This report outlines the Company's approach to assessing, mitigating and managing ESG risk, which is overseen by the Company's Board and managed by the carsales' Executive Leadership Team. It includes the considerable work we do to identify potential risks to the Company and implement detailed plans to protect Shareholders' interests. It also provides insight into our unique culture, how we attract and retain the very best talents, and seek to have a positive impact on our industry and community. Finally, while we have a low environmental impact as an online business, it addresses the Company's environmental efforts.



Our Board



Patrick O'Sullivan

Non-Executive Chair

Pat has been a Director of the Company since 2007 and 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 until June 2012.

Pat is a member of The Institute of Chartered Accountants in Ireland and Australia. He is a graduate of the Harvard Business School's Advanced Management Program. He also served as a Director and Company Secretary of Nine Entertainment Co Pty Limited and was Chair of Ninemsn.

Pat brings immense financial and regulatory expertise to the Board, and was the Chair of the Audit and Risk Management Committee prior to being appointed as Chair of the Board in 2019. Pat also provides the Board with insights relating to operations of global companies.



Cameron McIntyre

Chief Executive Officer and Managing Director

Cameron was appointed Managing Director and CEO of carsales.com Ltd in 2017. Prior to this, Cameron held the positions of Chief Operating Officer (since October 2014), and Chief Financial Officer and Company Secretary for the previous seven years, including for the IPO of the Company in 2009. Cameron has over 25 years of finance and operational experience. Cameron holds a degree in Economics from La Trobe University, Melbourne, is a graduate of the General Management Program at Harvard Business School and is a Fellow Certified Practising Accountant (FCPA).

Cameron brings unparalleled knowledge of the business and significant experience in strategy and management to the Board.



Wal Pisciotta OAM

Non-Executive Director and Co-Founder

Wal has more than 35 years' experience in supplying computer services to the automotive industry. Wal holds a Bachelor of Science degree in Business Administration from the University of Alabama (United States) and was the Chair of carsales.com Ltd since its inception until August 2015. Wal was recognised with the Medal of the Order of Australia for his services to the Australian Automotive Industry in the 2016 Queen's Birthday Honours.

Wal brings to the Board extensive knowledge of the IT needs of the automotive industry as well as his extensive knowledge of the business, having been a driving force from its inception.



Kim Anderson

Non-Executive Director

Kim is the former CEO and founder of Reading Room Inc/Bookstr.com, a community/social networking site for readers, a Non-Executive Director of WPP Australia and New Zealand and a Director of The Sax Institute. Kim is also on the Board of Marley Spoon. Kim has more than 25 years' experience in various advertising and media executive positions within companies such as Southern Star Entertainment, the Nine Network, PBL and Ninemsn.

Kim provides an abundance of experience and knowledge in the advertising and marketing industries. Kim also has extensive experience on ASX listed Boards, including as Chair of Remuneration Committees.



Edwina Gilbert

Non-Executive Director

Edwina has worked in the automotive industry since 2003, and is currently Dealer Principal of Gillen Motors and Director of Phil Gilbert Motor Group, managing 200 staff with two brands in two busy metropolitan locations. Edwina was the Chair of the Hyundai NSW Dealer Council and a member of the Hyundai National Dealer Council from 2010 – 2015. Edwina recommenced her position with the Hyundai National Dealer Council in 2019. Edwina holds a Bachelor of Laws and Bachelor of Arts from Sydney University and practiced commercial law before moving into the automotive industry.

Edwina brings significant OEM knowledge along with experience operating dealerships with a 'digital first' marketing approach. Edwina's background in law also contributes to the regulatory capabilities of the Board.



Kee Wong

Non-Executive
Director

Kee is an entrepreneur with a background and qualifications in Engineering, Information Technology and Business. Kee has started several businesses and has made investments across a number of industries which include technology services, retail, food and beverage, trading and property.

Kee has experience in IT and management consulting and was a senior executive at IBM running part of its e-business group in the Asia Pacific region, including Australia and New Zealand. He is founder and managing director of e-Centric Innovations, an IT/ Management consulting firm operating in Australia, Malaysia and Singapore.

Kee's appointment enhances the Board's knowledge of technology and product as well as providing valuable insight into markets outside of Australia in which the Company operates.



David Wiadrowski

Non-Executive
Director

David has over 25 years' experience as a partner of PwC, including 5 years as the Chief Operating Officer of PwC Assurance where he was responsible for managing the firm's largest business unit, and 5 years practicing in the firm's Indonesian office, where in addition to his responsibility as an audit partner he was responsible for the firm's IT platform.

David has extensive experience working with companies in the technology, infocoms and entertainment and media industries, having been the lead audit partner for clients including Network Ten, APN News & Media and Yahoo during his time with PwC.

In addition to his outstanding financial credentials, David brings strong commercial acumen to the Board, derived from his extensive experience at PwC and board roles at Vocus, Life360 and more recently oOh!Media.



Steve Kloss

Alternate Non-
Executive Director

Steve has more than 25 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 and is an experienced board Director.



Nicole Birman

Company Secretary

Nicole is an experienced corporate lawyer who holds the position of General Counsel and Company Secretary at carsales.com Ltd. Nicole has a Bachelor of Laws (Hons) and Bachelor of Arts from Monash University. Before joining carsales, Nicole acted as in-house legal counsel for Medibank Private and REA Group. Previous to this Nicole worked for Minter Ellison, one of Australia's premier legal firms, where her areas of specialty included intellectual property law.

Our Remuneration Chair's Message

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2020 (FY20).

During this unprecedented economic environment, the Board has undertaken an extensive review and deliberation of Executive KMP remuneration outcomes with the aim to strike a fair and reasonable balance between recognition, reward for management and delivery of performance for shareholders.

For shareholders, the performance outcomes of the Company have remained strong, with carsales continuing to perform in the top 15% of both the ASX 100 and 200 for Total Shareholder Returns (TSR) over the past three years and top 10% for the past 12 months. The Company's share price at 30 June 2017 was \$11.52 and the closing share price at 30 June 2020 was \$17.74, which, combined with \$1.33 of cumulative franked dividends paid over three years, equated to a TSR of 66% (18% compound annual growth rate over the three years). Given the strong balance sheet, the Board's belief in the long-term performance potential of the Company and the need for consistency and certainty for shareholder returns, the Board has not changed the dividend pay-out policy.

The Company prides itself on having a strong sense of values, culture and passion. I was proud that we have once again been recognised as a Workforce Gender Equality Agency Employer of Choice, a certified Great Place To Work®, an AAGE Top Graduate Employer and maintained our strong culture of engagement over the past twelve months.

Our customers have been challenged with the devastating impacts of the bushfires and the significant impacts of the COVID-19 pandemic. We are proud that during these turbulent times we supported our dealer customers with significant rebates (100% in April, 50% in May and 100% on new cars services in June), extended credit terms and access to the Company's Employee Assistance Program counselling services. This \$28m support package, while challenging for the Company, was the right thing to do to improve the dealer network's long-term viability. The response from our customers has further enhanced our market leadership, as well as built additional goodwill and loyalty.

Our Executive KMPs also reacted swiftly to minimise impacts on shareholders, with an extensive cost management program including recommending and implementing a 20% reduction in Board Director fees and Executive KMP salaries, reducing marketing spend and reinforcing our strong balance sheet by refinancing the existing debt facility.

Board response to strike received at AGM

At the 2019 AGM, the Company received a 'first strike' against the Remuneration Report. The Board takes shareholder concerns seriously and, since the meeting, has engaged extensively with shareholders and proxy advisers to understand their concerns. These meetings provided the Board with further perspectives for consideration when reviewing the FY20-22 LTI structure. As a result, the Board addressed the concerns by increasing the weighting of the financial component of the plan to 70% and decreasing the weighting on strategic measures to 30% (previously 60% financial and 40% strategic) and extended this change to the FY20 STI plan as well. In addition, the Board reinstated a minimum threshold on both financial performance measures of the plan.

While listening and acknowledging the feedback from stakeholders, the Board must also consider how to balance the need for remuneration plans to engage and fairly reward Executive KMP for their contribution to the business' long-term success. As such, although a threshold has been re-introduced for financial measures under the LTI plan, the Board decided to introduce a non-linear vesting schedule to reflect the difficulty in achieving higher growth.

Company performance

Despite the economic downturn felt from the effects of COVID-19, the Company has performed very well under strong Executive KMP leadership.

For FY20, a summary of business outcomes are as follows:

- Company Adjusted Net Profit After Tax (NPAT) was up by 6% compared to 2019 and up 9% compared to 2018.
- Look through Adjusted revenue was up 3% compared to 2019 and up 11% compared to 2018.
- Adjusted earnings per share (EPS) from continuing operations of 56.4 cents per share was up 6% compared to the prior year.
- TSR for FY20 was 35%.

Executive KMP Remuneration Outcomes

The Board has taken a considered view of Executive KMP remuneration outcomes, reflecting on the impact that COVID-19 will have across both FY20 and FY21. It is important to note that prior to COVID-19, the Company was on track to meet the financial thresholds of both the FY20 STI and LTI plans and would have overachieved on several of the metrics.

When assessing strategic objectives in both the LTI and STI plans, the Board uses a scorecard of three key measures: on-time delivery, on budget, and a positive contribution to the bottom line.

Below is a summary of the STI and LTI outcomes:

- FY20 STI
 - Financial (70% of the plan) – The Company did not achieve the threshold financial targets of the FY20 plan, which resulted in a 0% outcome. In the absence of the COVID-19 Dealer Support Package, the Company would have exceeded the threshold for look through revenue, however no discretion was applied by the Board. Adjusted NPAT was over the threshold level of achievement of 3% however, the Board considered past shareholder feedback and the magnitude of the adjustments for the year, including the Dealer Support Package and JobKeeper wage subsidy, and determined that exercising negative discretion by using Reported NPAT was appropriate.
 - Strategic (30% of the plan) – A scorecard outcome of 93% for the strategic objectives of the plan was achieved.
 - A total outcome of 28% was achieved.
- FY18-20 LTI
 - Financial (70% of the plan) – The vested outcome for the financial component of the plan was 46%.
 - Strategic (30% of the plan) – A vested outcome of 30% for the strategic objectives of the plan was achieved.
 - A total vested outcome of 76% was achieved.

The Board exercised discretion and determined that it was appropriate to vest the financial component of the FY18-20 LTI plan at the mid-target, which equates to vesting 66% of the financial component of the plan. This decision was made by the Board on the following basis:

- The Board acknowledged the strength of response in cost management and shareholder performance (measured through TSR) over the last 12 months (35%) and three years (66%), and the financial performance of the business.
- Dividends remained in place throughout the period and were consistent with our pay-out policy.
- Executive KMP and Senior Management took a 20% reduction in salaries and made no redundancies.
- The Board strongly supports Executive KMP and Senior Management decisions to assist customers through the COVID-19 pandemic with a \$28m Dealer Support Package provided for in April, May and June as it protects the Company's long-term interests. The Board acknowledges that Executive KMP took this action despite the likely detrimental impact to individual remuneration outcomes.
- The Company was on track to deliver against both financial performance metrics for the FY18-20 LTI, up to the impact of COVID-19 in March 2020.

We believe our approach fairly recognises the outcomes and value creation that our Executive KMP team has achieved for the business and shareholders.

Committee priorities for FY21

We will continue to monitor the Executive KMP remuneration framework to ensure we maintain the strong link between performance and reward and to drive the long-term business focus in this economic climate. The Board and the Executive KMP team have been working effectively to ensure the Company recovers quickly from the COVID-19 pandemic and believe we have an energised and capable team to achieve this.

As always, we welcome your feedback on our Remuneration Report and look forward to discussions with many of you over the coming year. We also wish yourself and your families good health during these challenging times.

Yours sincerely



Kim Anderson

Chair of the Remuneration and Nomination Committee

Remuneration Report 2020

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Independent Audit of the Report

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

1. Board Response to Strike Received

At the 2019 AGM, whilst the majority of shareholder votes were cast in favour (68%) of the adoption of the 2019 Remuneration Report, there were 32% of votes cast against, constituting a ‘first strike’ under the *Corporations Act 2001*. Keen to understand concerns, the Board has engaged extensively with shareholders and proxy advisers, and issued a release in January 2020 outlining key changes which addressed their concerns.

The key concerns identified by shareholders are outlined below as well as the changes made in January 2020 by the Board in response:

Shareholder concerns raised	Board response
FY20 LTI Plan increase in strategic performance measures by 10% to 40% of total award resulting in reduction of financial performance measure weightings to 60%.	Performance measures have been restored to 30% strategic and 70% financial performance, similar to prior years. After consideration of feedback received by shareholders on the LTI performance measures mentioned above, a further step was made by the Board to adjust the STI Plan performance measures to 30% strategic and 70% financial performance for consistency.
FY20 LTI Plan removal of threshold performance gateway.	Threshold gateway restored however non-linear vesting schedule introduced to reflect the difficulty in achieving higher growth stretch targets for Executive KMP with greater line of sight to an award.
Greater transparency needed with strategic performance outcomes within the Remuneration Report.	We have provided further transparency on strategic performance achievements within the STI and LTI performance outcome sections of this year’s report to provide greater transparency on how outcomes have translated into remuneration awarded.

2. Who is Covered in this Report

This Remuneration Report details the performance and remuneration of Key Management Personnel (KMP), comprising Non-Executive Directors and members of the Executive Leadership Team (herein referred to as Executive KMP) who have the authority and responsibility for planning, directing and controlling the activities of the Company during FY20.

2.1 Key Management Personnel

The Company's KMP in FY20 are listed in the table below, including the new role of Managing Director – Australia and newly appointed Chief Financial Officer. There were no changes to Non-Executive Directors throughout the year.

Name	Position
Non-Executive Directors	
Patrick O'Sullivan	Chair
Walter Pisciotta	Non-Executive Director
Kim Anderson	Non-Executive Director
Edwina Gilbert	Non-Executive Director
Kee Wong	Non-Executive Director
David Wiadrowski	Non-Executive Director
Steve Kloss	Non-Executive Director (Alternate)
Executive KMP	
Cameron McIntyre	Managing Director and Chief Executive Officer
Ajay Bhatia ¹	Managing Director – Australia
Paul Barlow	Managing Director – International
William Elliott ²	Chief Financial Officer (commenced as KMP 16 January 2020)
Former Executive KMP	
Simon Ryan	Managing Director – Commercial (ceased as KMP 2 December 2019)
Andrew Demery	Chief Financial Officer (ceased as KMP 31 October 2019)

1. Ajay Bhatia assumed responsibility for all Australian focused operations including Consumer, Dealer, Media, OEM, Commercial Excellence and Sales Operations, effective December 2019. Prior to this, Ajay held the outgoing role of Managing Director – Consumer.

2. William Elliott stepped into the Acting Chief Financial Officer role from October 2019 and the Board appointed William into the Chief Financial Officer role, effective January 2020. At this time William assumed full responsibilities of the role and was determined a KMP as defined by AASB 124 Related Party Disclosures. Remuneration disclosed for William is reported from his commencement date as CFO in January 2020.











3. Summary of the Executive KMP Remuneration Framework

3.1 Executive remuneration strategy and link to Company performance

The delivery of our Company purpose and strategy is supported by our remuneration principles and framework. We are guided by our remuneration principles when designing remuneration plans and making quantum decisions within our remuneration framework, which support the execution of our business strategy.

The strategic measures for our Company's remuneration plans are taken from areas of focus in the GPS 2022 strategy to ensure that the wider company is aligned in both remuneration & strategy.

Remuneration Report continued

Purpose: Empower people to move freely through our world-leading marketplaces		
Delivered through three strategic pillars:		Enabled by:
 Grow Digital marketplaces	 Build value-added services	 Seek future horizons
	 Our People	 Best-in-class Data
		 Best-in-class Technology
Underpinned by our Remuneration Principles		
	Market Competitive	Ensure the Company has the flexibility to attract, motivate and retain high-calibre talent in a competitive market.
	Alignment	The alignment of Executive KMP interests with those of shareholders' and our customers are paramount to business success. We believe in a pay for performance culture and through this encourage Executives to build and maintain a reasonable shareholding.
	Link to Company strategy	Our focus is on value-add objectives that contribute to achieving our purpose so that we reward what truly impacts business growth.
	Reward the right outcomes	We encourage responsible decision making that is made in the best interests of our customers and shareholders and align reward outcomes accordingly.
Reinforcing business goals and objectives via our Remuneration Framework		
Remuneration Component	Alignment to performance	Alignment to principles and strategy
Fixed Remuneration (FR) Comprises base salary and superannuation	Set at a market competitive level in relation to the scope, complexity, capabilities and individual performance in the role. Provides recognition for day-to-day, operational activities in the role.	Set to attract, retain and engage the best people to design and lead the delivery of our strategy.
Short-Term Incentive (STI) Annual incentive opportunity. Delivered as 75% cash and 25% deferred performance rights for a 12-month period, subject to continued service.	Performance assessed using a Group Performance scorecard against: <ul style="list-style-type: none"> Financial measures (70%) – Adjusted NPAT and look through revenue, weighted equally. Strategic measures (30%) – Pre-determined projects, engagement metrics and individually assigned business objectives. 	Linked to the Company's key strategic priorities which directly contribute towards the execution of long-term strategy each year. The 25% of the award that is deferred into equity supports Executives' alignment with shareholder interests, as well as Executive retention.
Long-Term Incentive (LTI) Granted in 70% performance rights and 30% options with a three-year vesting period.	Performance assessed against: <ul style="list-style-type: none"> Financial measures (70%) comprising Cumulative Annual Growth Rate for: Look through revenue and Adjusted NPAT (FY18-20) and EPS (FY19-21 & FY20-22). Strategic milestone measures (30%) including International revenue growth, growth in Australian non-classified automotive products and successful development and deployment of the Group's technology into its adjacent markets and international businesses. 	Targeting profitable, sustained growth in revenue and shareholder wealth creation. The three-year vesting period encourages consideration of long-term decision making and value creation, as well as operating as a retention tool. With a significant portion of potential remuneration based on carsales equity, the Board provides alignment between the interests of Executives with shareholders.
Non-monetary benefits: Employees receive salary continuance insurance cover. It is not allocated on an individual basis.		

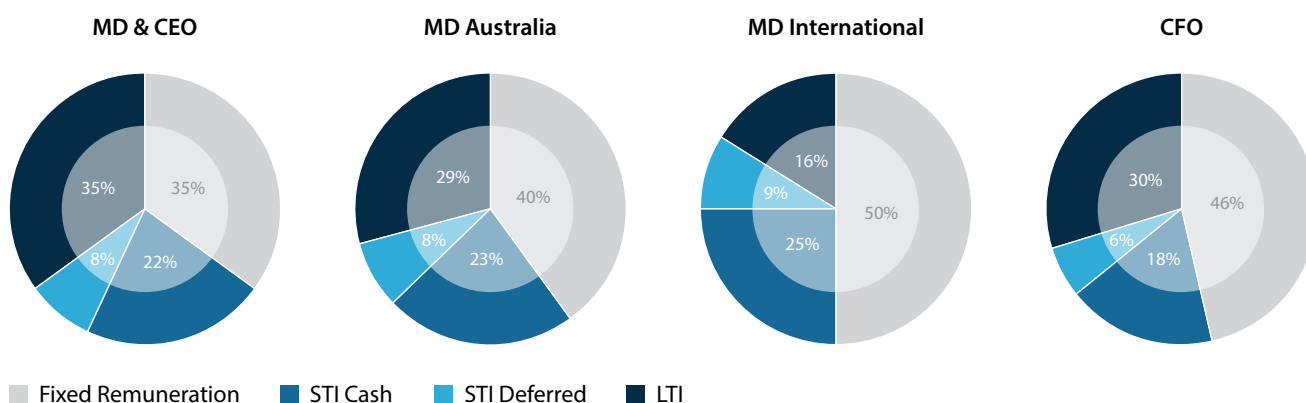
To ensure the remuneration framework is market competitive and the Company is able to retain high-calibre talent, the Company will seek advice from external remuneration consultants to benchmark remuneration against relevant peers, being ASX listed companies that are relative in size, structure and industry to that of carsales. The Company accepts that while this peer group is small, it is the most relevant group from which talent competition arises. Increasingly, the Company also considers global competitors for talent to be relevant, but has focused on companies with an Australian presence for the purposes of this remuneration framework in the current year.

The Company notes that no remuneration recommendations were received from external parties in 2020. However we have received guidance and advice from Ernst & Young on what is happening in the market during these complex times.

3.2 Remuneration mix (percentage of total remuneration)

Within the remuneration framework, our focus has been to strengthen the levels of performance-based remuneration which has been prominent in any remuneration decisions that have been made. As such, our remuneration mix (at maximum) includes at least 50% variable pay.

The figure below shows the remuneration mix at maximum opportunity for FY20, comprising Fixed Remuneration, STI cash, STI deferred and LTI granted.



The actual remuneration mix will vary based on Group and individual performance each year.

3.3 Timeline for delivery of remuneration

The diagram below provides a summarised timeline of when the FY20 remuneration opportunity is delivered.

Fixed Remuneration	Base salary/Super (100%)		
Short-Term Incentive	Cash (75%)	Deferred performance rights (25%)	
Long-Term Incentive	Performance rights/Options (100%)		
Performance Year	Year 1	Year 2	Year 3

Remuneration Report continued

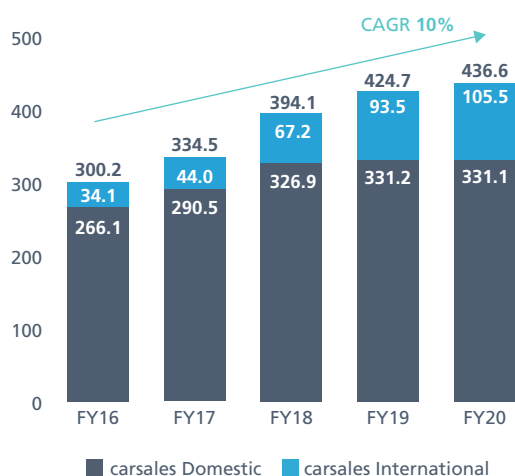
4. Remuneration Outcomes and Link to Performance

One of the key principles of the Company's remuneration framework is to align Executive KMP remuneration outcomes with Company performance. This section provides a summary of the Company's five-year financial performance outcomes and the link to remuneration outcomes over this period.

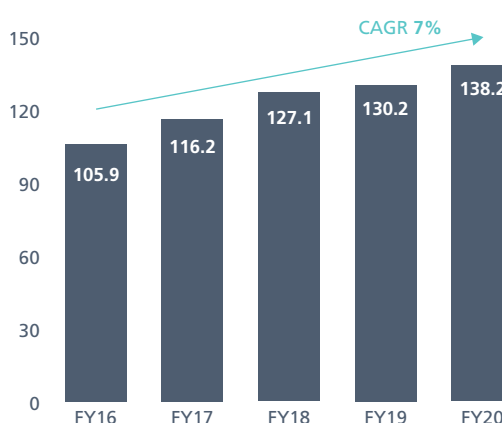
4.1 Company Five-year Financial Performance

The Company's financial performance over the past five years along with how that performance has translated to shareholders in the form of earnings per share (EPS) and total shareholder return (TSR) is demonstrated in the graphs below.

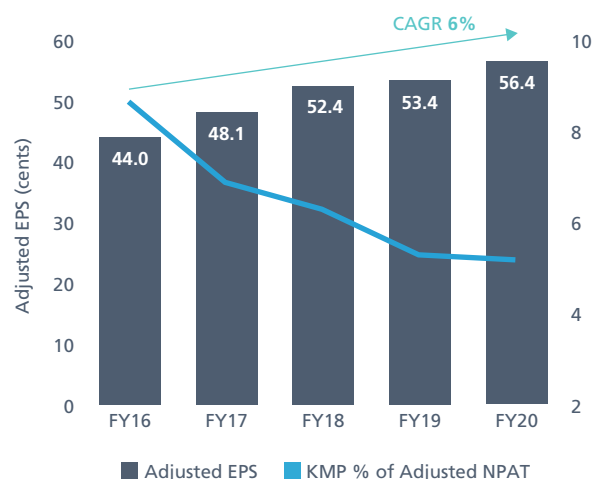
Look through¹ Adjusted Revenue² (\$m)



Adjusted NPAT (\$m)²



Adjusted EPS and KMP remuneration

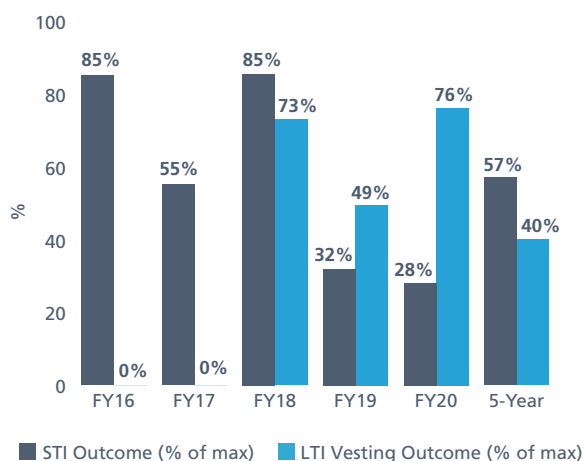


Cumulative TSR (last five years)

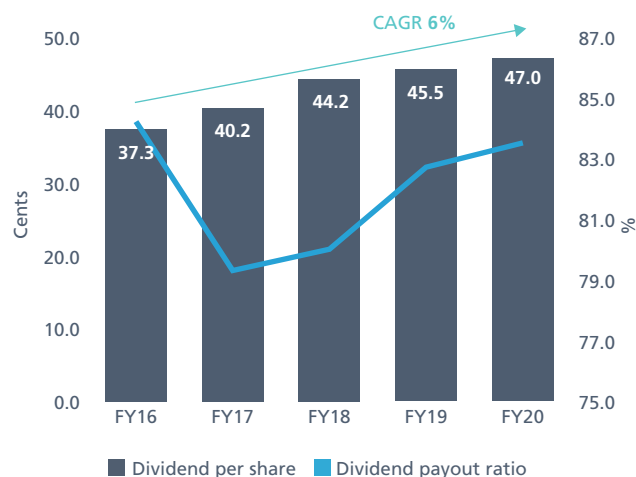


- carsales "look through" methodology: For equity accounted associates and consolidated subsidiaries, add the total revenue or EBITDA for the period of ownership within the reporting period multiplied by the % ownership over the period. Some "look through" numbers involve the disclosure of non-IFRS information.
- Adjusted Revenue and NPAT stated above is on a continuing basis and post non-controlling interests and excludes certain non-recurring or non-cash items relating to Dealer COVID-19 Dealer Support Package, fair value gain arising from discontinuing the equity method (net of NCI), gain on associate investment dilution (net of NCI), loss on disposal of subsidiary, one-off transaction and restructure costs, one-off bad debt expenses, changes in fair value of put option liabilities and deferred consideration, one-off tax adjustment, option unwinding discount and non-cash acquired intangible amortisation. FY16-FY19 results have been restated to reflect the adoption of AASB 16.

Executive KMP Remuneration Outcomes



Dividend Per Share and Payout Ratio



4.2 Executive KMP Realised Remuneration Snapshot – FY20

The table below provides actual amounts received by the Executive KMP for FY20. This table is an additional disclosure to those required under the Australian Accounting Standards and the *Corporations Act 2001*, and is provided to assist shareholders in understanding realised outcomes. These figures include the STI and LTI outcomes, as well as the Executive KMP's Fixed Remuneration reflecting a 20% reduction for the months of April to June 2020.

Name	Year	Fixed remuneration ¹ \$	Other \$	Cash STI Earned ² \$	Vested deferred STI ³ \$	Vested LTI ⁴ \$	Total \$
Executive KMP							
Cameron McIntyre	FY20	1,349,000	-	259,434	120,330	1,575,022	3,303,786
	FY19	1,350,000	-	275,512	188,825	305,211	2,119,548
Ajay Bhatia	FY20	807,500	-	136,500	53,149	441,001	1,438,150
	FY19	824,250	-	121,714	90,272	152,611	1,188,847
Paul Barlow	FY20	588,525	-	88,465	40,359	252,007	969,356
	FY19	619,500	-	92,424	71,005	106,821	889,750
William Elliott ⁵	FY20	144,487	-	36,750	-	37,805	219,042
	FY19	-	-	-	-	-	-
Former Executive KMP							
Simon Ryan ⁶	FY20	388,541	486,444	-	-	-	874,985
	FY19	379,874	280,000	59,969	-	-	719,843
Andrew Demery ⁷	FY20	259,584	249,499	-	-	-	509,083
	FY19	520,000	-	70,682	48,843	53,404	692,929
Total FY20		3,537,637	735,943	521,149	213,838	2,305,835	7,314,402
Total FY19		3,693,624	280,000	620,301	398,945	618,047	5,610,917

1. Fixed Remuneration earned in the financial year (base salary and superannuation). Figures for C McIntyre, A Bhatia, P Barlow and W Elliott reflect 20% reduction in Fixed Remuneration for the months of April 2020 to June 2020.

2. Cash STI earned in relation to performance under the STI plan during the financial year.

3. Vested deferred STI is the value of deferred STI earned as a result of performance in the prior financial year, subject to a restriction period that ended in August 2020. The STI value calculated as the number of rights that vested multiplied by the 30 June 2020 closing share price (30 June 2019 closing share price for the FY19 financial year).

4. Vested LTI is the value of performance rights and options that vested in August 2020. Values are calculated as the number of rights and options received multiplied by the 30 June 2020 closing share price (30 June 2019 closing share price for the FY19 financial year), less the exercise cost of converting options to shares. For example FY20 is reported as the FY18 LTI grant which vested in August 2020.

5. William Elliott commenced as KMP effective 16 January 2020. Pro rata Fixed Remuneration figures provided from 16 January 2020 to 30 June 2020. The STI cash figure represents the full FY20 STI figure paid.

6. Simon Ryan ceased employment with the Company effective 2 December 2019 and received a payment of \$486,444, being 6 months in lieu of notice consistent with his employment contract. In FY19, Simon Ryan received a sign on bonus in the form of 16,706 Zero Exercise Priced Options to the amount of \$200,000 upon commencement, as well as a \$80,000 cash bonus. These amounts are included as "Other" remuneration.

7. Andrew Demery ceased employment with the Company effective 31 October 2019. The amount of \$249,499 relates to 3 months notice and separation payment received. This amount is included as "Other" remuneration.

Remuneration Report continued

FY20 outcomes and the use of negative and positive Board discretion

FY20 STI Plan Financial metrics: While the Adjusted NPAT performance threshold was met (threshold \$133.8m, actual \$138.2m), which under the plan would result in a 72% payout for this financial measure, the Board considered past shareholder feedback and the magnitude of the adjustments for the year, including the Dealer Support Package and JobKeeper wage subsidy, and determined that exercising negative discretion by using Reported NPAT was appropriate.

FY18-20 LTI Plan Financial metrics: While the Adjusted NPAT performance threshold was met (threshold \$134.5m, actual \$138.2m), the look through revenue performance hurdle was not achieved (threshold \$413.3m, actual \$409.1m). However, the Board undertook a thorough review and determined it was appropriate to exercise some discretion to vest the financial component of the FY18-20 LTI plan at the mid-target, which equates to vesting 66% of the financial component of the plan.

This decision was made on the following basis:

- The Board acknowledged the strong returns delivered for shareholders (measured through TSR) over the last 12 months (35%) and three years (66%), and the financial performance of the business which achieved an Adjusted NPAT growth outcome of 6% over the past 12 months and Adjusted NPAT growth of 4% CAGR for the last three years.
- Dividends remained in place throughout the period and were consistent with company pay-out policy.
- Executive KMP and Senior Management rapidly implemented cost management initiatives including a 20% reduction in salary from April to June, and there were no staff redundancies as a result of constraints imposed by COVID-19.
- The Company was on track to deliver against both financial performance metrics for the FY18-20 LTI, up to the impact of COVID-19 in March 2020.
- The Board strongly supports Executive KMP and Senior Management decisions to assist customers through the COVID-19 pandemic with a \$28m Dealer Support Package provided for in April, May and June to protect the Company's long-term interests in ensuring the viability of its customer base, albeit it had a direct negative impact on the FY20 results. Without the Dealer Support Package, both financial components of the FY18-20 plan would have vested.
- The value of the Board's discretion exercised was \$0.8m for the KMP Executives.

The Board believes this approach fairly recognises the outcomes and value creation that our Executive KMP team has achieved for the business and for shareholders.

Executive KMP Five-year Incentive Outcomes

A summary of short and long-term incentive outcomes over a five-year period is given in the table below.

Executive KMP Remuneration Outcomes	FY16	FY17	FY18	FY19	FY20
STI outcome (average % of maximum)	84.9%	55.1%	85.3%	31.9%	28.0%
LTI vesting outcome (% of maximum)	0.0%	0.0%	72.9%	49.4%	76.0%

4.3 Short-Term Incentive Plan – Key Features and Outcomes

The key features of the Short-Term Incentive (STI) plan for the year ended 30 June 2020 are detailed in the table below.

Feature	Approach						
Description	Eligible Executives participate in the annual STI plan with an earning opportunity that is 'at risk' subject to specific pre-determined Group and individual performance measures being met. All performance measures chosen support the delivery of our strategy and create sustainable value for all stakeholders.						
Performance period	Aligned with the financial year, 1 July 2019 to 30 June 2020.						
STI Opportunity	The STI opportunity varies in accordance with role size, complexity and direct accountability. Market benchmarking references are also taken into consideration. The maximum (capped) opportunity for award represents outstanding levels of performance. Executive KMP capped levels, referenced as a percentage of Fixed Remuneration are: <table><thead><tr><th>Role</th><th>Maximum (cap)</th></tr></thead><tbody><tr><td>CEO</td><td>87% of Fixed Remuneration</td></tr><tr><td>Other Executive KMP</td><td>Between 50% to 76% of Fixed Remuneration</td></tr></tbody></table>	Role	Maximum (cap)	CEO	87% of Fixed Remuneration	Other Executive KMP	Between 50% to 76% of Fixed Remuneration
Role	Maximum (cap)						
CEO	87% of Fixed Remuneration						
Other Executive KMP	Between 50% to 76% of Fixed Remuneration						

Feature	Approach													
Delivery of award	The STI award is delivered 75% in cash and 25% in equity (performance rights) that is deferred for an additional 12 months subject to a continued service condition. No dividends are payable until the performance rights vest into ordinary shares at the conclusion of the 12-month hold period.													
Performance measures and weightings	<p>The STI plan incorporates both financial and non-financial performance measures. The performance measures and their relative weightings are:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Measures</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial</td> <td>Look through revenue</td> <td>35%</td> </tr> <tr> <td>Adjusted NPAT</td> <td>35%</td> </tr> <tr> <td rowspan="2">Non-financial</td> <td>Strategic and individual objectives</td> <td>20%</td> </tr> <tr> <td>People & Culture</td> <td>10%</td> </tr> </tbody> </table>	Category	Measures	Weighting	Financial	Look through revenue	35%	Adjusted NPAT	35%	Non-financial	Strategic and individual objectives	20%	People & Culture	10%
Category	Measures	Weighting												
Financial	Look through revenue	35%												
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Selection of Performance Measures	<p>Financial Measures:</p> <table border="1"> <thead> <tr> <th>Look through revenue</th> <th>Adjusted Net Profit After Tax (NPAT)</th> </tr> </thead> <tbody> <tr> <td>Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the Group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.</td> <td>Adjusted NPAT is the Group net profit after tax and non-controlling interests from continuing operations. It excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs set by the Board.</td> </tr> </tbody> </table> <p>The Board selected these financial performance measures for the FY20 STI plan considering the stage of growth for many of the Company's international investments. As such, it was deemed appropriate to continue Executives' focus on both top and bottom line growth, while also providing a basis for year-on-year comparison of consistent measures to be made. Adjusted NPAT was considered by the Board as an excellent reflection of the underlying Group trading performance and is an appropriate earnings metric aligned to shareholder value. The financial performance outcomes are provided within the STI outcomes of the report.</p> <p>Non-financial measures within the plan recognises the importance of key strategic priorities and employee engagement in achieving business transformation. The Board decides on pre-determined strategic performance objective targets at the beginning of the performance period which are linked to our longer-term strategy and value creation for our shareholders. The strategic objective outcomes are provided within the STI outcomes section of the report.</p>	Look through revenue	Adjusted Net Profit After Tax (NPAT)	Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the Group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.	Adjusted NPAT is the Group net profit after tax and non-controlling interests from continuing operations. It excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs set by the Board.									
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Remuneration Report continued

Feature	Approach
Link of performance and reward	<p>For each measure, there is a minimum threshold of performance required to be met before any pay-out is awarded for that portion of the STI.</p> <p>An incremental scale applies in accordance with achievement of financial measures, with the intention to motivate and fairly reward exceptional performance outcomes. The achievement of non-financial performance measures is assessed through a rating scale, with Satisfactory performance allocated 50%, Above Expectations allocated 75% and Exceptional 100%.</p> <p>The graph illustrates the performance thresholds for STI. The Y-axis shows the percentage of STI (0% to 100%). The X-axis shows performance levels from Threshold to Stretch. Two lines represent the STI calculation: a blue line for Non-financial measures and a black line for Financial measures. Both lines start at 0% at the Threshold level. The Non-financial line jumps to 50% at the Threshold level and then rises to 100% at the Stretch level. The Financial line jumps to 25% at the Threshold level and then rises to 100% at the Stretch level.</p>
Cessation of employment	If a member of the ELT ceases employment with the Company prior to any awards being paid, unless the Board determines otherwise, the Executive will forfeit any awards to be paid for the performance period.

Performance outcomes against STI Measures for FY20

STI outcomes are calculated using a performance scorecard with 70% weighting on financial measures and 30% weighting on non-financial measures. All outcomes are measured on Group performance, subject to a strategic objective for each individual. All strategic objectives support the execution of our GPS 2022 strategy.

The Board's assessment of the CEO's performance in the 2020 financial year is outlined below.

Measure	Weighting	Performance Outcome	STI Outcome	Commentary
Financial				
Look through revenue	35%	Did Not Qualify	0%	Did not qualify for payment. (Threshold \$413.3m, Actual \$409.1m).
Adjusted NPAT	35%	Qualified	0%	Above threshold performance achieved. (Threshold \$133.8m, Actual \$138.2m) Refer to section 4.2 for further details.
Strategic				
Video and display evolution	4%	Exceptional	4%	carsales media revenue performance in FY20 has outperformed the industry benchmark for automotive brand advertising (the Standard Media Index). The carsales team released a product called My Feed (personalised feed with Video Ads). The revenue earned from My Feed was 15% above expectations while Video Revenue was 168% higher than last year primarily driven by our native video products (including My Feed).

Measure	Weighting	Performance Outcome	STI Outcome	Commentary
New car	4%	Satisfactory	2%	carsales media revenue performance in FY20 has outperformed the industry benchmark for automotive brand advertising (the Standard Media Index). New packages released achieved around 80% of available inventory published in what was the worst new car sales market in a generation. New Car Showroom delivered a 117% uplift in Media revenue (as attributed to Showroom) and had a major makeover last year which has proven to be very popular with consumers and advertisers alike. Leads from showroom are now double what they were last year and feedback from advertisers have been very positive. There was a 200% uplift in click through rates.
Operational Excellence	4%	Exceptional	4%	Derived material operational efficiencies from both a revenue and cost perspective through continued investment in customer relationship management software. Evidenced by a 22% increase in our CRM Net Promoter score.
Global Platform	4%	Exceptional	4%	Excellent progress has been made over the past 12 months in the development of global platform capability across multiple verticals and LATAM markets. A key element of this objective was to deliver Control Panel to LATAM dealer customers.
Individual KPI	4%	Exceptional	4%	Reviewed and re-positioned major adjacent market businesses being Finance and tyresales. In the case of Finance the strategic review and ultimate disposal of Stratton to support the repositioning of dealer and consumer finance product was completed. tyresales is a business that required change to improve profitability, which was achieved during April to June.
People				
Group employee opinion survey results	10%	Exceptional	10%	<ul style="list-style-type: none"> Recognised as a Workforce Gender Equality Agency Employer of Choice, a certified Great Place To Work® and an AAGE Top Graduate Employer. COVID-19 employee engagement pulse survey results have evidenced that the Company has maintained a strong engagement culture. Strong leadership and visibility within a year of unprecedented events.
Total	100%		28%	

The Board assessed the achievement of all other Executive KMP's individual performance component outcomes and determined all had exceeded performance expectations. As mentioned above, this component of the plan is the only objective within the STI plan that is assessed on an individual performance basis and accounts for 4% weighting within the overall plan.

Remuneration Report continued

Overall STI financial outcomes

The following table provides the FY20 STI outcomes awarded to Executive KMP. Under the FY20 STI plan 25% of the awarded STI is provided in equity, with vesting deferred for an additional 12 months subject to a continued service condition.

FY20	Actual STI awarded \$	Cash \$	Deferred \$	Number of performance rights awarded	STI Maximum \$	STI actual as a % of STI Maximum %
Cameron McIntyre	345,912	259,434	86,478	4,902	1,235,400	28
Ajay Bhatia	182,000	136,500	45,500	2,579	650,000	28
Paul Barlow	117,953	88,465	29,488	1,672	421,260	28
William Elliott	49,000	36,750	12,250	694	175,000	28

2019 Deferred STI Outcome

The 2019 deferred STI will qualify to vest upon release of this Annual Report to the ASX by the Board. The table below provides the award value based on the accounting Black Scholes valuations, as well as the cash value to each Executive of their STI based on the 30 June 2020 share price.

	DSTI value (Black Scholes)		DSTI value (30 June 2020 share price)	
	Vested \$	Vested %	Vested \$	Vested %
Cameron McIntyre	96,793	100%	120,330	100%
Ajay Bhatia	42,753	100%	53,149	100%
Paul Barlow	32,464	100%	40,359	100%

4.4 Long-Term Incentive (LTI) Plan – Key Features and Outcomes

Feature	Approach						
Description	Eligible Executives participate in the LTI plan, with an opportunity that is 'at risk' subject to specific pre-determined Group performance measures being met over a three-year period. The plan is designed to align Executives' interests with those of shareholders.						
Opportunity	The LTI opportunity reflects accountabilities and influence over the Company's long-term performance within each role. Market benchmarks are also referenced in determining the LTI opportunity. The maximum face value of LTI that can be granted, referenced as to Executive KMP a percentage of Fixed Remuneration is: <table border="1" data-bbox="347 1518 1439 1619"> <thead> <tr> <th>Role</th> <th>Maximum (cap)</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>100% of Fixed Remuneration</td> </tr> <tr> <td>Other Executive KMP</td> <td>70% of Fixed Remuneration</td> </tr> </tbody> </table>	Role	Maximum (cap)	CEO	100% of Fixed Remuneration	Other Executive KMP	70% of Fixed Remuneration
Role	Maximum (cap)						
CEO	100% of Fixed Remuneration						
Other Executive KMP	70% of Fixed Remuneration						
Performance and vesting period	Performance is measured over three financial years. The expiry date of the award is fifteen years from the grant date.						
Delivery	70% of the opportunity is granted as performance rights (PRs), with vesting subject to financial performance measures and ongoing service. The remaining 30% is granted as options, with vesting subject to strategic objectives being met and ongoing service. No dividends are paid during the performance period, until the rights or options vest and are exercised.						

Feature	Approach																									
Allocation approach	<p>The number of performance rights and options granted are calculated as follows:</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ FR (At time of grant)</div> x <div style="border: 1px solid black; padding: 5px; margin: 5px;">Award face value (%FR)</div> ÷ <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ Share price (Performance rights)</div> = <div style="border: 1px solid black; padding: 5px; margin: 5px;">Number of PRs (70% of Award)</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ Black Scholes Price (Options)</div> = <div style="border: 1px solid black; padding: 5px; margin: 5px;">Number of Options (30% of Award)</div> </div> <p>The share price used was the Volume Weighted Average Price of the Company's ordinary shares for the 20 trading days up to 30 June 2020.</p>																									
Performance measures and weightings	<p>The performance measures and their relative weightings are:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Measures</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial (PRs)</td> <td>Look through revenue</td> <td>35%</td> </tr> <tr> <td>Adjusted EPS</td> <td>35%</td> </tr> <tr> <td rowspan="3">Strategic (Options)</td> <td>Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole</td> <td>10%</td> </tr> <tr> <td>Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set</td> <td>10%</td> </tr> <tr> <td>Achieve specified milestones which relate to projects that address developments within the automotive industry</td> <td>10%</td> </tr> </tbody> </table>	Category	Measures	Weighting	Financial (PRs)	Look through revenue	35%	Adjusted EPS	35%	Strategic (Options)	Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole	10%	Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set	10%	Achieve specified milestones which relate to projects that address developments within the automotive industry	10%										
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Performance Threshold and Maximum	<p>Financial Targets: A minimum 'gate' threshold for both look through revenue and Adjusted Earnings Per Share (EPS) must be achieved in the performance period prior to any award vesting. The threshold and maximum performance for FY20 and other currently operating LTI plans have been set as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Measure</th> <th>Threshold CAGR</th> <th>Maximum CAGR</th> </tr> </thead> <tbody> <tr> <td rowspan="2">2020</td> <td>Look through revenue</td> <td>3.0%</td> <td>10.0%</td> </tr> <tr> <td>Adjusted EPS</td> <td>3.0%</td> <td>10.0%</td> </tr> <tr> <td rowspan="2">2019</td> <td>Look through revenue</td> <td>5.0%</td> <td>10.0%</td> </tr> <tr> <td>Adjusted EPS</td> <td>5.0%</td> <td>10.0%</td> </tr> <tr> <td rowspan="2">2018</td> <td>Look through revenue</td> <td>5.5%</td> <td>11.3%</td> </tr> <tr> <td>Adjusted NPAT</td> <td>5.3%</td> <td>10.1%</td> </tr> </tbody> </table> <p>Financial metrics used exclude corporate activity (such as acquisitions) made after the AGM notice date, with the exception of any disposal of businesses or acquisitions of additional equity stakes in any existing businesses, where the CAGR targets will be altered to maintain the underlying CAGR growth rates targeted for the financial year. The Board retains discretion to adjust the CAGR growth rates to include the impact of any strategically important acquisitions made during the performance period, such that management is not materially advantaged or disadvantaged from entering into further acquisitions when it is in shareholders' interests to do so.</p> <p>Strategic Targets: The release of targets that were used to assess performance will be provided upon completion of each three-year performance period, due to competitive advantage information being withheld.</p>	Year	Measure	Threshold CAGR	Maximum CAGR	2020	Look through revenue	3.0%	10.0%	Adjusted EPS	3.0%	10.0%	2019	Look through revenue	5.0%	10.0%	Adjusted EPS	5.0%	10.0%	2018	Look through revenue	5.5%	11.3%	Adjusted NPAT	5.3%	10.1%
Year	Measure	Threshold CAGR	Maximum CAGR																							
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Remuneration Report continued

Feature	Approach								
Vesting Schedule	<table border="1"> <thead> <tr> <th>Financial Performance Level</th> <th>Vesting %</th> </tr> </thead> <tbody> <tr> <td>Below Threshold</td> <td>0%</td> </tr> <tr> <td>Between Threshold and Target: Both EPS and look through revenue</td> <td>From 25% to 100%</td> </tr> <tr> <td>Maximum</td> <td>100%</td> </tr> </tbody> </table>	Financial Performance Level	Vesting %	Below Threshold	0%	Between Threshold and Target: Both EPS and look through revenue	From 25% to 100%	Maximum	100%
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Strategic Performance Level	Vesting %								
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Selection of Performance Measures	<p>Financial Measures:</p> <table border="1"> <thead> <tr> <th>Adjusted EPS</th> <th>Look through revenue</th> </tr> </thead> <tbody> <tr> <td>Adjusted EPS is defined as earnings per share calculated by dividing the Adjusted Net Profit After Tax attributable to equity holders of the Company during the relevant period by the weighted average number of ordinary shares outstanding during the relevant period. The Board also retains discretion to alter the Adjusted EPS hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's influence that would materially affect Adjusted EPS.</td> <td>Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.</td> </tr> </tbody> </table>	Adjusted EPS	Look through revenue	Adjusted EPS is defined as earnings per share calculated by dividing the Adjusted Net Profit After Tax attributable to equity holders of the Company during the relevant period by the weighted average number of ordinary shares outstanding during the relevant period. The Board also retains discretion to alter the Adjusted EPS hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's influence that would materially affect Adjusted EPS.	Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.				
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<p>The Board recognises the balance required in measuring both long-term revenue growth but also safeguarding bottom-line financial performance with an EPS growth measure concurrently, ensuring alignment of LTI vesting outcomes to shareholder interests. In determining the growth targets for financial measures' targets, the Board considers the historical revenue and earnings performance of the Company, forward looking market consensus revenue and earnings expectations, the overall purpose of the award and the long-term best interests of the Company. Based on these factors, the Board believes that the growth targets that have been set are appropriate in all the circumstances.</p> <p>Non-financial measures within the plan recognise the importance that key strategic priorities and people engagement have in achieving ongoing business transformation and evolution. The Board has selected pre-determined strategic performance objectives which are linked to the Company's longer term strategy and are therefore key in improving long-term financial performance and value for our shareholders. Key factors in determining these outcomes are delivery on time, on budget and contribution to the bottom line.</p>									
<p>If the Board, in its reasonable opinion determines that a plan participant has engaged in any of the following conduct, the Board may declare that all, or some, of the participant's options, performance rights, or ordinary shares held under the plan are forfeited:</p> <ul style="list-style-type: none"> (a) Cessation of employment, other than for special circumstances, redundancy or by mutual agreement between the Board and the participant; (b) Material breach of the participant's obligations to the Company or a Subsidiary; (c) Behaviour that brings the Company or Group into disrepute. 									
Ceasing Employment	Members of the ELT who leave the Company have 30 days from their date of departure to exercise any vested options, unless such departure is under adverse conditions. In exceptional circumstances, and at the Board's discretion, Executives may be allowed to retain unvested options and performance rights and exercise them in a future period when they vest.								
Hedging Policy	The Company's Equity Plan specifically prohibits a plan participant from entering into any scheme, arrangement, agreement (including options and derivative products) or other hedging transaction under which the participant may alter or limit the economic benefit or risk to be derived from options, irrespective of future changes in the market price of any Company shares. Where a plan participant enters, or purports to enter, into any such scheme, arrangement or agreement, all options will immediately lapse.								

Feature	Approach
Change of Control	While the Board maintains discretion in relation to unvested options, the default treatment for unvested options subject to performance conditions is that a pro-rata number will vest based on the extent to which applicable performance conditions have been satisfied. For unvested options and performance rights subject to only continuing service conditions, the pro-rata number will vest based on the proportion of the period that has lapsed.

There are currently three years of unvested LTI awards with performance periods that include the 2020 financial year.

Financial year of grant	Performance period	Performance year to determine vesting	Vesting dates
FY18-20	1 July 2017 – 30 June 2020	FY20	August 2020
FY19-21	1 July 2018 – 30 June 2021	FY21	August 2021
FY20-22*	1 July 2019 – 30 June 2022	FY22	August 2022

* FY20-22 grant of equity to Cameron McIntyre was not approved by shareholders at the October 2019 AGM. As such no grant of equity has been offered to Cameron McIntyre in FY20, however approval will be sought at the AGM later this year.

Performance outcomes against LTI Measures

FY18-20 LTI performance and awarded outcomes

The Board's assessment of performance against the FY18-20 LTI performance measures is outlined below.

Measure	Weighting %	Performance Outcome	Vesting outcome	Commentary
Financial				
Look through revenue	35%	Not achieved	46%	Discretion applied by the Board for a mid-point vesting. Refer to section 4.2 for further details.
Adjusted NPAT	35%	Not achieved		
Strategic				
International revenue growth	10%	Full achievement	10%	Strong double digit international revenue and earnings growth, through deployment of technology and IP into our international markets.
Growth in Australian non-classified automotive products and services revenue	10%	Full achievement	10%	Very strong double digit CAGR* revenue growth in tyresales and RedBook Inspect, our key adjacent businesses.
Successful development and deployment of the Group's technology into its core, adjacent markets and international businesses	10%	Full achievement	10%	<ul style="list-style-type: none"> Development and deployment of retail platforms across desktop and mobile automotive sites throughout wholly owned LATAM businesses, along with search and AWS infrastructure. Product developed in Australia with rapid deployment within international markets and non-automotive vertical markets within Australia.
Total	30%		76%	

* CAGR – Cumulative Annual Growth Rate

Remuneration Report continued

4.5 Fixed Remuneration Outcomes

Fixed Remuneration is generally positioned between the median and the 75th percentile of the relevant market, which allows flexibility required to attract and retain high-calibre Executive KMP. The annual Fixed Remuneration entitlements of the Executive KMP for FY20 is set out below:

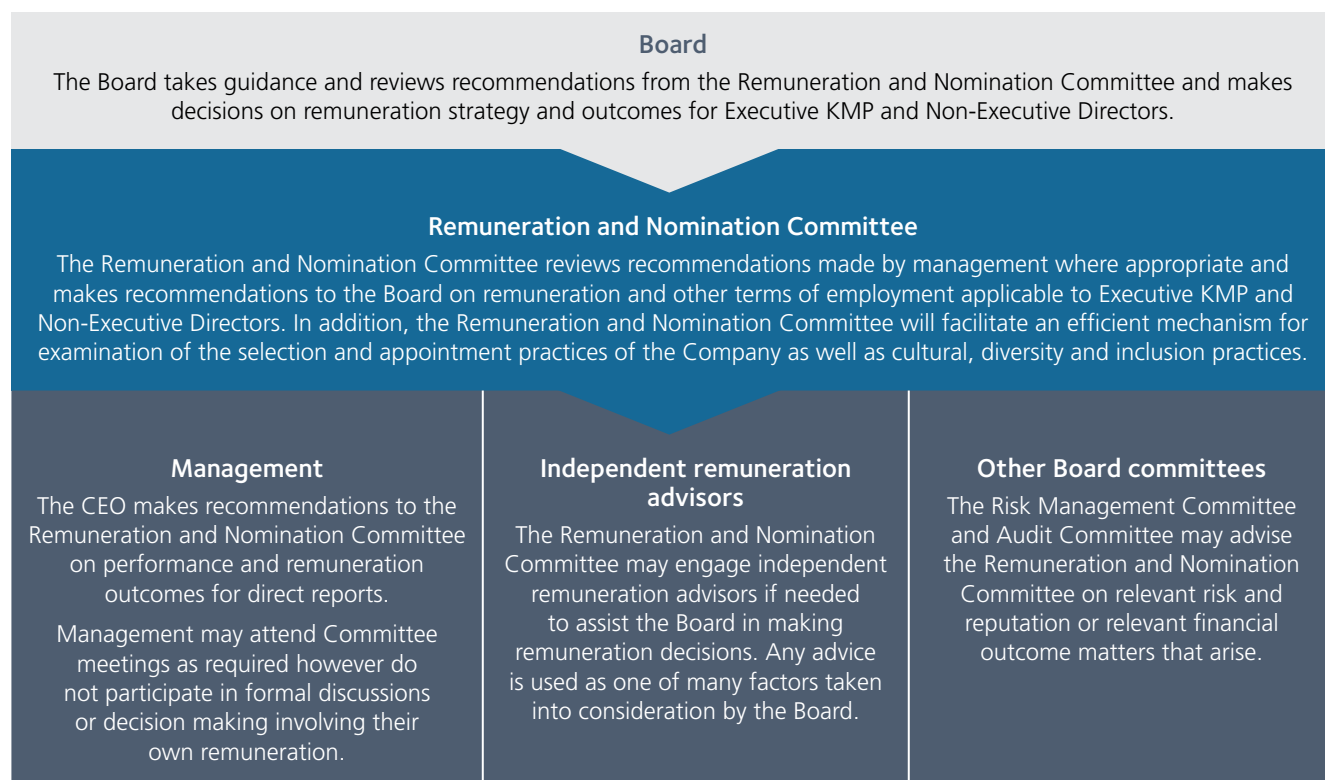
Name	Annual Fixed Remuneration from 1 July 2019 to 30 June 2020 \$
Cameron McIntyre	1,420,000
Ajay Bhatia	850,000
Paul Barlow	619,500
William Elliott	350,000
Simon Ryan	920,000
Andrew Demery	520,000

Actual Fixed Remuneration paid to members of the Executive KMP is shown in the remuneration tables in section 4.2, which includes a 20% reduction in Fixed Remuneration for the period 1 April 2020 to 30 June 2020 (overall 5.4% reduction in Fixed Remuneration paid in FY20).

Within the FY20 annual review, effective 1 July 2019, the CEO Fixed Remuneration increased by 5.2%, recognising strong performance within the role and better market alignment. The MD-Australia was also allocated an increased Fixed Remuneration of 3.0%.

5. Remuneration Governance

The Board has ensured robust governance processes are in place for remuneration matters within the Company. The below diagram provides a summary of the remuneration governance framework.



Further information on the purpose and duties of the Remuneration and Nomination Committee is contained in its Charter, which is available from the Company's investor website: shareholder.carsales.com.au.

5.1 Engagement with shareholders and proxy advisors

This year, members of the Board have proactively engaged with many of its largest shareholders many times during the year. Meetings with proxy advisors have also occurred on a regular basis to try to ensure they have a good understanding of the Company's remuneration structure and decisions, and are in a position to provide insightful advice to their clients. The Company views these meetings as an opportunity to receive valuable feedback on issues of importance to its shareholders and to ensure it is across the trends being seen in the market.

Over the course of FY20, representatives of the Company met with the following proxy advisors:

- Ownership Matters;
- CGI Glass Lewis;
- ISS; and
- Australian Shareholders' Association.

6. Executive KMP Statutory Remuneration Disclosure

6.1 Accounting based benefits

The table below has been prepared in accordance with the requirements of the *Corporations Act 2001* and relevant Australian Accounting Standards. The figures provided under the share-based payments columns are based on accounting values and do not reflect actual cash amounts received by Executive KMP in FY20.

Name	Year	Short-term benefits		Post Employment	Long-term benefits	Share-based payments				Total ⁵
		Salary ¹	Cash STI	Super-annuation ¹	Long Service Leave	Deferred STI	LTI performance rights	LTI options	Other	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director										
Cameron McIntyre	FY20	1,327,997	259,434	21,003	43,180	92,021	385,512	198,314	-	2,327,461
	FY19	1,329,469	275,512	20,531	38,675	152,638	(159,455)	121,487	-	1,778,857
Other Executive KMP										
Ajay Bhatia	FY20	786,497	136,500	21,003	22,685	44,332	154,170	79,894	-	1,245,081
	FY19	803,719	121,714	20,531	20,622	71,218	(34,431)	42,247	-	1,045,620
Paul Barlow	FY20	567,522	88,465	21,003	13,454	31,111	88,451	45,888	-	855,894
	FY19	594,500	92,424	25,000	15,106	55,431	(16,691)	26,669	-	792,439
William Elliott ²	FY20	134,767	36,750	9,720	5,084	6,178	4,798	2,407	-	199,704
	FY19	-	-	-	-	-	-	-	-	-
Former Executive KMP										
Simon Ryan ³	FY20	378,040	-	10,501	(718)	10,537	-	(3,128)	486,444	881,676
	FY19	371,319	59,969	8,555	718	10,537	-	3,128	280,000	734,226
Andrew Demery ⁴	FY20	252,583	-	7,001	(20,508)	12,419	(24,595)	(18,420)	249,499	457,979
	FY19	499,469	70,682	20,531	10,384	39,377	(16,582)	16,639	-	640,500
Total KMP FY20		3,447,406	521,149	90,231	63,177	196,598	608,336	304,955	735,943	5,967,795
Total KMP FY19		3,598,476	620,301	95,148	85,505	329,201	(227,159)	210,170	280,000	4,991,642

1. Salary and Superannuation figures for C McIntyre, A Bhatia, P Barlow and W Elliott reflect 20% reduction in Fixed Remuneration for the months of April 2020 to June 2020.

2. William Elliott commenced as KMP effective 16 January 2020. Pro rata Fixed Remuneration figures provided from 16 January 2020 to 30 June 2020. The STI cash figure represents the full FY20 STI figure paid.

3. Simon Ryan ceased employment with the Company effective 2 December 2019. Simon received a payment of 6 months in lieu of notice consistent with his employment contract. In FY19, Simon Ryan received a sign on bonus in the form of 16,706 Zero Exercise Priced Options to the amount of \$200,000 upon commencement, as well as a \$80,000 cash bonus. These amounts are included as "Other" remuneration.

4. Andrew Demery ceased employment with the Company effective 31 October 2019. The amount of \$249,499 relates to 3 months notice and separation payment received. This amount is included as "Other" remuneration.

5. Former Executives who ceased employment with carsales during FY19 are not disclosed in the table above. Refer to FY19 Remuneration Report for details.

Remuneration Report continued

7. Executive Service Agreements

All ELT members have service agreements determining Fixed Remuneration comprising cash salary and superannuation and performance based variable reward comprising STI opportunity and participation in the Company's LTI Plan. They have no fixed employment terms and no special termination payment conditions. All agreements provide for dismissal due to gross misconduct. The termination notice period is six months by either party and there is a six-month non-compete period.

8. Executive KMP Equity Disclosures

8.1 STI and LTI Payments (cash, options & performance rights) achievement against maximum entitlement

All Executive KMP received grants that were equal to or less than their maximum potential STI entitlements. The relative proportions of remuneration which are linked to performance and those that are fixed based on the accounting values table in section 6.1 are as follows:

Name	Cash salary and superannuation		At risk – STI		At risk – DSTI		At risk – LTI	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Executive Director								
Cameron McIntyre	60	78	11	15	4	9	25	(2)
Other Executive KMP								
Ajay Bhatia	66	81	11	11	4	7	19	1
Paul Barlow	70	80	10	12	4	7	16	1
William Elliott	76	-	18	-	3	-	3	-
Former Executive KMP								
Simon Ryan	99	91	-	8	1	1	-	-
Andrew Demery	106	83	-	11	3	6	(9)	-

8.2 Share-based compensation disclosures

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 exercisable	Expiry date	Exercise price \$	Value at grant date \$	Vested %	Performance achieved
October 2015	August 2018	October 2020	\$10.24	\$1.86	73	Yes
October 2015	August 2018	October 2020	\$0.00	\$8.44	73	Yes
October 2016	August 2018	October 2031	\$0.00	\$9.86	78	Yes
October 2016	August 2019	October 2031	\$0.00	\$9.49	76.6	Yes
October 2016	August 2019	October 2031	\$0.00	\$4.87	-	No
October 2016	August 2019	October 2031	\$12.23	\$1.10	76.6	Yes
October 2016	August 2019	October 2031	\$12.23	\$0.98	-	No
October 2017	August 2020	October 2032	\$0.00	\$12.06	n/a	Yes ⁽ⁱ⁾
October 2017	August 2020	October 2032	\$11.41	\$3.25	n/a	Yes ⁽ⁱⁱ⁾
August 2018	August 2019	August 2019	\$0.00	\$13.87	100	Yes
October 2018	August 2021	October 2033	14.87	\$1.53	n/a	To be determined
October 2018	August 2021	October 2033	\$0.00	\$10.93	n/a	To be determined
August 2019	August 2020	August 2034	\$0.00	\$14.27	n/a	Yes ⁽ⁱⁱⁱ⁾
October 2019	August 2022	October 2034	\$13.54	\$3.43	n/a	To be determined
October 2019	August 2020	October 2034	\$0.00	\$13.81	n/a	To be determined

(i) LTI performance rights granted in October 2017 will apply 65.7% of this award that is expected to vest in August 2020 based on the EPS performance achievements tested at 30 June.

(ii) LTI options granted in October 2017 that were exercisable in August 2020 which were aligned to a TSR measure did not vest as a result of the Company not meeting the minimum TSR target which had been set.

(iii) Relates to performance rights granted under the FY19 STI plan for the 25% portion of the total STI award that is deferred in equity. Subject to satisfactory completion of the remaining service period this award is expected to vest in August 2020.

\$0.00 exercise price represents performance rights.

When 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 at the earliest of (a) the expiry date applicable to the option or performance right, (b) 30 days post the employee ceasing to be employed by carsales.com Ltd, (c) where EPS or RTSR vesting conditions are not met at the relevant date, 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 Executive KMP are set out below:

Name	Number of options granted during the year 2020	Number of performance rights granted during the year 2020	Value of options at grant date 2020 \$	Value of performance rights at grant date 2020 \$	Number of options and performance rights vested during the year 2020
Executive Directors					
C McIntyre	-	4,902	-	87,227	162,906
Executive KMP					
A Bhatia	30,602	20,674	105,002	295,724	45,613
P Barlow	17,487	12,012	60,001	172,504	26,065
W Elliott	-	694	-	12,356	3,910

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

8.3 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 Executive KMP are set out below.

Name	Date of exercise of options and performance rights	Shares issued on exercise of options and performance	Value at exercise date* \$
Executive Directors			
C McIntyre	Aug 19	28,485	445,221
C McIntyre	Sep 19	70,693	1,149,468
Other Executive KMP			
A Bhatia	Aug 19	13,937	217,835
A Bhatia	Sep 19	41,781	642,592
P Barlow	Aug 19	10,333	161,505
P Barlow	Sep 19	51,240	829,576
W Elliott	Oct 19	632	9,954
Former Executive KMP			
S Ryan	Sep 19	16,706	256,938
A Demery	Aug 19	6,152	96,156
A Demery	Nov 19	25,710	406,218

* 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.

Remuneration Report continued

8.4 Share-based compensation benefits

For each grant of options and performance rights, the percentage of the available grant 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. The vesting periods for options and performance rights are detailed in section 4 above. No options and performance rights will vest if the conditions are not satisfied (subject to Board discretion), hence the minimum value of the options and performance rights yet to vest is \$nil. The value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

Name	Financial year granted	Vested %	Forfeited %	Financial years in which grant may vest	Maximum total value of grant yet to vest \$
C McIntyre	2018	78%	22%	2020*	73,530
C McIntyre	2019	-	-	2021*	913,908
C McIntyre	2020	-	-	2022*	8,066
A Bhatia	2018	78%	22%	2020*	20,588
A Bhatia	2019	-	-	2021*	236,937
A Bhatia	2020	-	-	2022*	293,423
P Barlow	2018	78%	22%	2020*	11,765
P Barlow	2019	-	-	2021*	135,394
P Barlow	2020	-	-	2022*	168,340
W Elliott	2018	78%	22%	2020*	1,765
W Elliott	2019	-	-	2021*	20,306
W Elliott	2020	-	-	2022*	-

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

8.4.1 Option holdings and performance rights

The numbers of options and performance rights over ordinary shares in the Company held by Executive KMP, including their personally related parties, are set out below.

Name	Balance at start of the year	Granted as remuneration (incl. perf. rights)	Exercised	Forfeited	Other change	Balance at the end of the year	Vested and exercisable	Unvested
Executive Directors								
C McIntyre	694,798	6,783	(99,178)	(83,100)	-	519,303	83,564	435,739
Other Executive KMP								
A Bhatia	212,374	51,693	(55,718)	(41,551)	-	166,798	-	166,798
P Barlow	156,435	30,102	(61,573)	(29,087)	-	95,877	-	95,877
W Elliott	14,134	-	(632)	-	-	13,502	3,636	9,866
Former Executive KMP								
S Ryan	52,437	1,476	(16,706)	-	(37,207)	-	-	-
A Demery	97,522	-	(31,862)	(14,542)	(51,118)	-	-	-

8.4.2 Equity holdings

The numbers of shares in the Company held during the financial year by Executive KMP including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance 1 Jul 19	Received during the year on the exercise of options	Other changes during the year	Balance 30 Jun 20
Executive Director				
C McIntyre	202,500	99,178	(70,693)	230,985
Other Executive KMP				
A Bhatia	1,135	55,718	(12,744)	44,109
P Barlow	40,623	61,573	(37,462)	64,734
W Elliott	-	632	-	632
Former Executive KMP				
S Ryan	-	16,706	(16,706)	-
A Demery	4,206	31,862	(18,855)	17,213

8.5 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 options	Number under performance rights
Oct-15	Oct-20	\$10.24	45,610	-
Oct-16	Oct-31	\$12.23	218,110	-
Oct-17	Oct-32	\$11.41	295,990	-
Oct-17	Oct-32	\$0.00	-	186,281
Oct-18	Oct-33	\$14.87	445,532	-
Oct-18	Oct-33	\$0.00	-	159,387
Aug-19	Aug-34	\$0.00	-	19,784
Oct-19	Oct-34	\$13.54	139,245	-
Oct-19	Oct-34	\$0.00	-	82,335
			1,144,487	447,787

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 2020.

8.6 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 2020 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
Aug-19	\$0.00	104,271
Sep-19	\$10.24 – \$12.23	287,911
Oct-19	\$12.23	9,053
Oct-19	\$0.00	19,499
Nov-19	\$10.24 – \$12.23	41,941
Dec-19	\$10.23 – \$12.23	37,030
Feb-20	\$10.23 – \$12.23	14,248
May-20	\$10.23 – \$12.23	3,339
Jun-20	\$10.23 – \$12.23	19,236
		536,528

Remuneration Report continued

9. Non-Executive Director Fees

Non-Executive Directors receive fees as 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 \$1,500,000 per annum. The current base remuneration pool was approved by shareholders at the Annual General Meeting held on 23 October 2015.

Fees and payments to Non-Executive Directors are determined by the demands that are made on their time, as well as their responsibilities. The Board will from time to time invite a remuneration specialist to conduct a review and benchmarking of fees. The annualised fees paid to the Board are comfortably below the \$1,500,000 pool approved by shareholders. No adjustments to fees were made in FY20, with the exception for the period of 1 April 2020 to 30 June 2020 during which the Board elected to reduce their fees by 20% to contribute to cost savings for the business during this time.

The following fee table applies:

Appointment	1 July 2019 fee table \$
Chair fee	340,000
Base Director fee	140,000
Committee Chair fee	35,000
Committee Member fee	15,000

Minimum Shareholding Requirements

The Company requires all Board members to hold the equivalent of one year's base Director's fees in equity after 24 months' Board membership. All Board members currently meet this requirement.

9.1 Accounting based benefits

The table below has been prepared in accordance with the requirements of the *Corporations Act* and relevant Australian Accounting Standards. The figures provided under the share-based payments columns are based on accounting values and do not reflect actual cash amounts received by Non-Executive Directors in FY20.

Name	Year	Short-term benefits		Post Employment	Long-term benefits	Share-based payments				Total ¹
		Salary and fees	Cash STI	Superannuation	Long Service Leave	Deferred STI	LTI performance rights	LTI options	Other	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors										
Patrick O'Sullivan	FY20	302,445	-	20,924	-	-	-	-	-	323,369
	FY19	260,900	-	18,908	-	-	-	-	-	279,808
Walter Pisciotta	FY20	134,475	-	12,775	-	-	-	-	-	147,250
	FY19	130,137	-	12,363	-	-	-	-	-	142,500
Kim Anderson	FY20	164,840	-	15,660	-	-	-	-	-	180,500
	FY19	173,516	-	16,484	-	-	-	-	-	190,000
Edwina Gilbert	FY20	177,854	-	16,896	-	-	-	-	-	194,750
	FY19	165,145	-	15,688	-	-	-	-	-	180,833
Kee Wong	FY20	147,489	-	14,011	-	-	-	-	-	161,500
	FY19	140,505	-	13,348	-	-	-	-	-	153,853
David Wiadowski	FY20	168,137	-	12,363	-	-	-	-	-	180,500
	FY19	20,948	-	1,990	-	-	-	-	-	22,938
Total FY20		1,095,240	-	92,629	-	-	-	-	-	1,187,869
Total FY19		891,151	-	78,781	-	-	-	-	-	969,932

1. Former Directors who ceased employment with carsales during FY19 are not disclosed in the table above. Refer to FY19 Remuneration Report for details.

9.2 Share holdings

The numbers of shares in the Company held during the financial year by each Director of carsales.com Ltd, including their personally related parties, are set out below.

	Balance 1 Jul 19	Received during the year on the exercise of options	Other changes during the year	Balance 30 Jun 20
Non-Executive Directors				
Ordinary shares				
P O'Sullivan	23,268	-	-	23,268
W Pisciotta	8,836,298	-	(388,000)	8,448,298
K Anderson	15,000	-	539	15,539
E Gilbert	25,833	-	928	26,761
K Wong	11,295	-	1,500	12,795
D Wiadrowski	1,580	-	2,520	4,100
S Kloss (Alternate)	2,774,500	-	-	2,774,500

9.3 Other transactions

Conflicts and transactions with KMP are handled in accordance with the Board Charter available at <http://shareholder.carsales.com.au/Investor-Centre/>.

(i) Directors of carsales.com Ltd

W Pisciotta and S Kloss are shareholders of Pentana Solutions Pty Ltd, which has a commercial relationship with the Company. Mr Pisciotta and Mr Kloss were absent from all Board discussions related to any commercial arrangement of Pentana Solutions and only those directors who are independent of Pentana Solutions were involved in the approval of the agreement. The total amount paid by carsales to Pentana Solutions Pty Ltd was approximately \$622,038. The total amount paid to carsales from Pentana Solutions Pty Ltd was approximately \$155,023.

E Gilbert is a Director 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. The total amount paid to carsales by automotive dealerships, of which E Gilbert is a shareholder, was approximately \$448,243. E Gilbert did not receive any additional benefits to their dealerships from their participation on the Company Board.

Other Directors' Report Disclosures

Directors

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

Pat O'Sullivan	Non-Executive Chair
Cameron McIntyre	Managing Director
Wal Pisciotta	Non-Executive Director
Kim Anderson	Non-Executive Director
Edwina Gilbert	Non-Executive Director
Kee Wong	Non-Executive Director
David Wiadrowski	Non-Executive Director
Steve Kloss	Alternate Non-Executive Director

The number of full Board meetings attended, and sub-committee meetings attended where a Board member is a member of that sub-committee are set out below:

Director name	Full scheduled meetings of Directors		Short teleconference meetings of Directors		Ad hoc meetings of Directors	
	A	B	A	B	A	B
Pat O'Sullivan	12	12	2	2	6	6
Cameron McIntyre	12	12	2	2	6	6
Wal Pisciotta	12	11	2	1	6	5
Kim Anderson	12	12	2	2	6	6
Edwina Gilbert	12	12	2	2	6	6
Kee Wong	12	10	2	1	6	6
David Wiadrowski	12	12	2	2	6	6
Steve Kloss (Alternate Director)	12	11	2	2	6	5

A = Number of meetings held during the time the Director held office during the year

B = Number of meetings attended

Director name	Number of Audit Committee meetings during tenure	Number of Audit Committee meetings attended
David Wiadrowski (Chair)	6	6
Kim Anderson	6	6
Edwina Gilbert	6	6

Director name	Number of Risk Management Committee meetings during tenure	Number of Risk Management Committee meetings attended
Edwina Gilbert (Chair)	2	2
David Wiadrowski	2	2
Kee Wong	2	2

Director name	Number of Remuneration and Nomination Committee meetings during tenure	Number of Remuneration and Nomination Committee meetings attended
Kim Anderson (Chair)	6	6
Edwina Gilbert	6	6
Kee Wong	6	5
Wal Pisciotta	6	5

Dividends – carsales.com Ltd

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

	2020 \$'000	2019 \$'000
Final fully franked dividend for the year ended 30 June 2019 of 25.0 cents (2018: 23.7 cents) per fully paid ordinary share paid on 9 October 2019 (2018: 10 October 2018).	61,184	57,640
Interim fully franked dividend for the year ended 30 June 2020 of 22.0 cents (2019: 20.5 cents) per fully paid share paid on 15 April 2020 (2019: 5 April 2019)	53,960	49,989
	115,144	107,629

At the end of the financial year the Directors have recommended the payment of a fully franked final ordinary dividend of \$61,403,000 (25.0 cents per share) to be paid on 7 October 2020 out of retained earnings at 30 June 2020.

Significant changes in the state of affairs

During the financial year the Company continued to deliver on its strategy both domestically and internationally.

Further details are set out in the Operational and Financial Review on page 31.

Matters subsequent to the end of the financial year

On 5 July 2020 carsales.com Ltd successfully completed a refinance of Tranche A of its syndicated revolving loan facilities. Pursuant to this refinance, the Company upsized its existing Tranche A by a further \$105.0 million, bringing it to a \$440.0 million facility, and extended the tenor out to 5 July 2024.

Facility	New commitment \$'000	Drawn at report release date \$'000	New maturity date
Tranche A	440,000	335,000	5 July 2024
Tranche B	210,000	210,000	4 July 2023
Total	650,000	545,000	

As part of the refinance, Commonwealth Bank of Australia ("CBA") has joined the existing banking syndicate, entering into a bilateral facility agreement with the Company under the Common Terms Deed documentation structure. Borrowings under the debt facilities bear interest at a floating rate of BBSY Bid plus a margin, with margin based on a net leverage ratio of the Group, consistent with the previous facility.

Further, subsequent to year end, two swaps having a maturity of three years (which were due to terminate in July 2021) were closed out and the average notional amount is now \$210.0 million.

Aside from the above, no matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Other Directors' Report Disclosures continued

Insurance of officers

During the financial year, carsales.com Ltd paid a premium to insure the Directors and officers of the Company and its Australian-based controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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 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 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 Management Committees to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

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

	2020 \$	2019 \$
Other assurance services		
Due diligence services	223,000	31,620
Total remuneration for other assurance services	223,000	31,620
Taxation services		
Tax compliance services, including review of Company income tax returns	103,717	98,960
Australian and International tax consulting and tax advice on mergers and acquisitions	157,271	122,585
Total remuneration for taxation services	260,988	221,545
Other services		
Other services	68,512	30,553
Total remuneration for other services	68,512	30,553
Total remuneration for non-audit services	552,500	283,718

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 66.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' 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*.

Corporate governance report

As allowed under the ASX Corporate Governance Principles and Recommendations (Fourth Edition) the Company has included its report on compliance with the principles in the year to 30 June 2020 in the Corporate Governance section of the Investor Centre on the carsales website. The full report can be found at the following URL: <http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance>

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



Pat O'Sullivan
Chair



Cameron McIntyre
Managing Director and CEO

Melbourne
18 August 2020

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Limited for the year ended 30 June 2020, 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 Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
18 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757
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Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Notes	2020 \$'000	*Restated 2019 \$'000
Continuing operations			
Revenue from contracts with customers	2	395,585	417,494
Total revenue from continuing operations		395,585	417,494
Expenses			
Costs of sale		(32,878)	(33,691)
Sales and marketing expenses		(73,543)	(83,838)
Service development and maintenance		(29,512)	(31,547)
Operations and administration		(57,613)	(55,554)
Earnings before interest, taxes, depreciation and amortisation		202,039	212,864
Depreciation and amortisation expense		(36,351)	(31,394)
Finance income	3	640	1,211
Finance costs	3	(14,974)	(17,139)
Changes in fair value of put options	10	7,228	11,253
Share of net profit from associates accounted for using the equity method	20(c)	4,177	3,124
Gain on associates investment dilution	20(c)	-	2,069
Fair value gain arising from discontinuing the equity method	20(d)	9,753	-
Loss on disposal of subsidiary		(472)	-
Profit before income tax		172,040	181,988
Income tax expense	4(a)	(50,205)	(49,823)
Profit from continuing operations		121,835	132,165
Net result after tax from discontinued operations	21	(4,882)	(47,932)
Profit for the year		116,953	84,233
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	13, 20(b)	(32,343)	11,866
Remeasurement of post-employment benefit obligations	13	(983)	642
Gain/(loss) on net investment hedge	13	3,532	(450)
Loss on cash flow hedge	13	(1,246)	(12,163)
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in financial assets at fair value through other comprehensive income	13	3,967	(1,634)
Other comprehensive income for the year		(27,073)	(1,739)
Total comprehensive income for the year		89,880	82,494
Profit for the year is attributable to:			
Owners of carsales.com Ltd		114,668	84,011
Non-controlling interests		2,285	222
		116,953	84,233
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		87,572	82,169
Non-controlling interests		2,308	325
		89,880	82,494

Consolidated Statement of Comprehensive Income continued

For the Year Ended 30 June 2020

	Notes	2020 \$'000	*Restated 2019 \$'000
Total profit for the year is attributable to owners of carsales.com Ltd from:			
Continuing operations		119,943	132,088
Discontinued operations	21	(5,275)	(48,077)
		114,668	84,011
<hr/>			
		2020 Cents	*Restated 2019 Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	5	46.8	34.5
Diluted earnings per share	5	46.7	34.4
Earnings per share for profit from continuing operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	5	48.9	54.2
Diluted earnings per share	5	48.8	54.1
Earnings per share for loss from discontinued operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	5	(2.1)	(19.7)
Diluted earnings per share	5	(2.1)	(19.7)

*See Note 31 for details about restatements as a result of changes in accounting policies.

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 2020

	Notes	2020 \$'000	*Restated 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	179,937	94,411
Trade and other receivables	15	54,329	61,238
Assets classified as held for sale	21	-	45,667
Total current assets		234,266	201,316
Non-current assets			
Investments accounted for using the equity method	20(c)	51,197	76,668
Financial assets at fair value through other comprehensive income	20(d)	40,718	19,905
Property, plant and equipment	16	13,760	10,512
Right-of-use assets	17	51,520	55,225
Deferred tax assets	4	15,704	18,547
Intangible assets	18	584,888	600,619
Other receivables	15	7,096	7,363
Total non-current assets		764,883	788,839
Total assets		999,149	990,155
LIABILITIES			
Current liabilities			
Trade and other payables	19	30,784	29,962
Lease liabilities	17	6,638	6,228
Borrowings	8	174	248
Current tax liabilities	4	19,018	8,585
Provisions	19	7,112	6,815
Deferred revenue	19	8,759	9,441
Liabilities directly associated with assets classified as held for sale	21	-	33,663
Total current liabilities		72,485	94,942
Non-current liabilities			
Other payables	19	202	29
Lease liabilities	17	54,333	57,485
Borrowings	8	544,070	474,314
Other financial liabilities	10	-	9,538
Derivative liabilities	11	14,179	17,445
Deferred tax liabilities	4	15,564	20,928
Provisions	19	1,104	912
Total non-current liabilities		629,452	580,651
Total liabilities		701,937	675,593
Net assets		297,212	314,562
EQUITY			
Contributed equity	12	149,817	135,372
Reserves	13	(56,253)	(29,694)
Retained earnings	13	202,885	203,361
Non-controlling interests		763	5,523
Total equity		297,212	314,562

*See Note 31 for details about restatements as a result of changes in accounting policies.

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 2020

	Notes	Attributable to owners of carsales.com Ltd			Non- controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2019, as previously reported		135,372	(29,694)	209,934	6,068	321,680
Impact of changes in accounting policy*	31	-	-	(6,573)	(545)	(7,118)
*Restated balance at 1 July 2019		135,372	(29,694)	203,361	5,523	314,562
Profit for the year		-	-	114,668	2,285	116,953
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations	13, 20(b)	-	(32,366)	-	23	(32,343)
Remeasurement of post-employment benefit obligations	13	-	(983)	-	-	(983)
Loss on cash flow hedge	13	-	(1,246)	-	-	(1,246)
Gain on net investment hedge	13	-	3,532	-	-	3,532
<i>Items that will not be reclassified to profit or loss</i>						
Changes in financial assets at fair value through other comprehensive income	13	-	3,967	-	-	3,967
Total comprehensive income for the year		-	(27,096)	114,668	2,308	89,880
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	12	4,493	-	-	-	4,493
Increase in share-based payment reserve inclusive of tax	13, 29	-	4,392	-	-	4,392
Dividends paid to company shareholders	14	9,952	-	(115,144)	-	(105,192)
Dividends paid to non-controlling interests	20	-	-	-	(5,185)	(5,185)
Transactions with non-controlling interests	13	-	(3,855)	-	(1,883)	(5,738)
Balance at 30 June 2020		149,817	(56,253)	202,885	763	297,212

*See Note 31 for details about restatements as a result of changes in accounting policies.

	Attributable to owners of carsales.com Ltd					Total equity \$'000
	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interests \$'000	
Balance at 1 July 2018, as previously reported		119,541	(24,427)	232,289	6,002	333,405
Impact of changes in accounting policy*	31	-	-	(5,310)	(424)	(5,734)
*Restated balance at 1 July 2018		119,541	(24,427)	226,979	5,578	327,671
*Restated profit for the year		-	-	84,011	222	84,233
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations	13, 20(b)	-	11,763	-	103	11,866
Remeasurement of post-employment benefit obligations	13	-	642	-	-	642
Loss on cash flow hedge	13	-	(12,163)	-	-	(12,163)
Loss on net investment hedge	13	-	(450)	-	-	(450)
<i>Items that will not be reclassified to profit or loss</i>						
Changes in financial assets at fair value through other comprehensive income	13	-	(1,634)	-	-	(1,634)
Total comprehensive income for the year		-	(1,842)	84,011	325	82,494
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	12	2,412	-	-	-	2,412
Decrease in share-based payment reserve inclusive of tax	13, 29	-	(562)	-	-	(562)
Dividends paid to company shareholders	14	13,419	-	(107,629)	-	(94,210)
Dividends paid to non-controlling interests	20	-	-	-	(898)	(898)
Non-controlling interests on acquisition of subsidiary	13	-	-	-	1,064	1,064
Transactions with non-controlling interests	13	-	(2,863)	-	(546)	(3,409)
Balance at 30 June 2019		135,372	(29,694)	203,361	5,523	314,562

*See Note 31 for details about restatements as a result of changes in accounting policies.

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 2020

	Notes	2020 \$'000	*Restated 2019 \$'000
Cash flows from operating activities			
Receipts from customers (including GST)		489,707	517,549
Payments to suppliers and employees (including GST)		(275,961)	(302,089)
Income taxes paid		(42,305)	(57,394)
Net cash inflow from operating activities	6	171,441	158,066
Cash flows from investing activities			
Payment for investment in associates		-	(1,330)
Payment for financial assets at fair value through other comprehensive income		(2,394)	(1,676)
Payments for property, plant and equipment		(9,056)	(3,813)
Payments for intangible assets		(24,532)	(22,876)
Interest received		605	1,226
Proceeds from sale of property, plant and equipment		197	23
Proceeds from disposal of subsidiaries (net of transaction costs)		5,330	-
Dividends received from associates		-	2,301
Net cash outflow from investing activities		(29,850)	(26,145)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		4,493	2,412
Proceeds from borrowings		147,330	521,133
Repayment of borrowings		(77,453)	(495,626)
Payment of loan establishment fees		(463)	-
Principal elements of lease payments		(6,826)	(5,934)
(Payments)/proceeds from financial instruments		(897)	1,543
Dividends paid to non-controlling interests		(395)	(898)
Dividends paid to company shareholders	14	(105,192)	(94,210)
Purchase of non-controlling interests		(4,394)	(3,409)
Interest paid		(14,828)	(18,944)
Net cash outflow from financing activities		(58,625)	(93,933)
Effects of exchange rates on cash and cash equivalents		(2,241)	383
Net increase in cash and cash equivalents (including cash flows from discontinued operations)		80,725	38,371
Cash and cash equivalents at the beginning of the financial year		94,411	65,061
Add back: Cash outflow from discontinued operations	21	4,801	-
Less: Cash and cash equivalents transferred to assets classified as held for sale	21	-	(9,021)
Cash and cash equivalents at the end of the financial year	7	179,937	94,411

*See Note 31 for details about restatements as a result of changes in accounting policies.

The above consolidated statement of cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 21.

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

Notes to the Consolidated Financial Statements

30 June 2020

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd ('Company' or 'parent entity') as at 30 June 2020 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'.

Key reporting highlights

Notes containing information relevant to understanding significant changes to the Group's affairs and performance in the current year are as follows:

- (i) the Group's performance – Note 1;
- (ii) full year dividend declared – Note 14;
- (iii) the adoption of the new accounting standards for leases – Note 17 and Note 31;
- (iv) the sale of the Group's interest in Stratton Finance – Note 21.

Key estimates and judgements

The preparation of financial statements in conformity with IFRS 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 ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is predominantly related to the fair value measurement and recoverable amount assessments for intangible assets (Note 18), financial assets at fair value through other comprehensive income (Note 20(d)), investments accounted for using the equity method (Note 20 (c)) and trade receivables (Note 15).

As a result of the challenging trading conditions during April and May 2020 in particular, the Group put certain measures in place including the COVID-19 Dealer Support Package (Note 2) and a number of cost saving initiatives. The financial statements have been prepared on a going concern basis. The Directors have made this assessment on the basis that the Group has a strong balance sheet and prudent gearing levels. On 5 July 2020 the Group successfully completed a refinance of Tranche A of its syndicated revolving loan facilities, upsizing Tranche A by a further \$105.0 million (Note 27). At 30 June 2020 carsales had a net debt position of \$439.5 million (Note 11(d)), a net debt to EBITDA leverage ratio of 2.2 times EBITDA and a strong liquidity position with \$179.9 million in available cash.

Other areas with a level of estimation include deferred tax assets relating to tax losses, uncertain tax positions and Research and Development (R&D) claim (Note 4).

Basis of preparation

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

These general purpose financial statements:

- (i) Have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.
- (ii) Comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- (iii) Have been prepared on a going concern basis.
- (iv) Have been prepared under the historical cost convention except for the revaluation of financial assets and liabilities (including derivative instruments) measured at fair value through other comprehensive income.

Amounts in the financial statements are presented in Australian dollars with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the *Australian Securities and Investments Commission Corporations Instrument 2016/191*.

Accounting policies adopted are consistent with those of the previous financial year, with the exception of the areas described in Note 31.

Notes to the Consolidated Financial Statements continued

30 June 2020

Corporate Information

carsales.com Ltd (the 'Company') 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

The Financial Report was authorised for issue by the Directors on 18 August 2020. The Directors have the power to amend and reissue the Financial Report.

All press releases, Financial Reports and other information are available at our shareholders' centre on our website: www.carsales.com.au. For queries in relation to our reporting please call +61 (3) 9093 8600.

These financial statements have been streamlined where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions; or
- it relates to an aspect of the Group's operations that is important to its future performance.

KEY PERFORMANCE

This section provides a breakdown of the key individual line items in the financial statements that the Directors consider most relevant to understanding performance and shareholder returns for the year and summarises the accounting policies, judgements and estimates relevant to understanding these line items.

1. Segment information

Accounting policy

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 Chief Executive Officer ('CEO').

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

The Group's operating segments are determined firstly based on location, and secondly by function, of the Group's operations. The Group principally operates in four business segments which are described below:

Operating segment	Nature of operations and primary source of revenue	Geographical location
Online Advertising Services – Australia	<p>Online automotive classifieds and media advertising services.</p> <p>Classified advertising allows customers (including dealers and consumers) to advertise automotive and non-automotive goods and services for sale across the carsales network.</p> <p>Our media business typically involves corporate customers such as automotive manufacturers/importers, finance and insurance companies etc, placing advertisements on carsales network websites.</p> <p>Online Advertising Services also includes carsales' investment in tyresales.com.au which is an online tyre advertisement website that allows consumers to transact and purchase tyres as well as RedBook Inspect which provides inspection services to a range of corporate and private consumers which may be published online as part of classified advertisements.</p>	Australia
Data, Research and Services – Australia	<p>Automotive data services including software, analysis, research and reporting, valuation services, website development, hosting and photography services.</p> <p>This segment also includes media and consumer advertising related to these divisions.</p>	Australia
Latin America (LATAM)	<p>Online automotive classifieds and media advertising services.</p> <ul style="list-style-type: none"> • Webmotors S.A. – 30% • Chileautos SpA – 100% • carsales Mexico SAPI de CV – 100% • Demotores Chile SpA – 100% • Demotores S.A. – 100% 	Brazil, Chile, Mexico and Argentina
Asia	<p>Online automotive classifieds, media advertising services and automotive data services.</p> <ul style="list-style-type: none"> • ENCARSALES.COM Ltd – 100% • Auto Information Limited – 100% • RedBook Automotive Services (M) Sdn Bhd – 100% • RedBook Automotive Data Services (Beijing) Limited – 100% • Automotive Data Services (Thailand) Company Limited – 100% • iCar Asia Limited – 11.7% 	South Korea, Malaysia, China, Thailand and Indonesia

Percentage reflects ownership interests in the entities.

Notes to the Consolidated Financial Statements continued

30 June 2020

1. Segment information continued

Discontinued operations (previously 'Finance and Related Services')

The previously disclosed Finance and Related Services Segment included the Stratton Finance Pty Ltd subsidiary which provided innovative finance arrangements for vehicles, boats, other leisure items, vehicle procurement and other related services to customers. The Group announced in June 2019 that it was pursuing the sale of its 50.1% interest in Stratton and hence the results of Stratton were presented as discontinued operations since June 2019. The sale process was subsequently finalised on 30 April 2020. Details of the transaction are disclosed in Note 21.

(a) Segment analysis

2020	*Online Advertising Services \$'000	*Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
Segment revenue (Note 1(b)(i))	273,199	39,258	7,616	75,512	395,585
EBITDA (Note 1(b)(ii))	142,801	23,191	(4,685)	40,732	202,039
Depreciation and amortisation					(36,351)
Net finance costs					(14,334)
Changes in fair value of put options					7,228
Share of net profit from associates accounted for using the equity method					4,177
Fair value gain arising from discontinuing the equity method					9,753
Loss on disposal of subsidiary					(472)
Income tax expense					(50,205)
Loss from discontinued operations					(4,882)
Non-controlling interests					(2,285)
Profit for the year attributable to owners of carsales.com Ltd					114,668
Segment assets (Note 1(b)(iii))	154,271	33,581	79,656	470,284	737,792
Deferred tax assets					15,704
Cash and cash equivalents					179,937
Unallocated assets					65,716
Total assets					999,149

* Revenue includes the impacts of the COVID-19 Dealer Support Package. Refer Note 2 for details.

*Restated 2019	Online Advertising Services \$'000	Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
Segment revenue (Note 1(b)(i))	300,112	43,147	9,131	65,104	417,494
EBITDA (Note 1(b)(ii))	159,063	24,813	(5,487)	34,475	212,864
Depreciation and amortisation					(31,394)
Net finance costs					(15,928)
Changes in fair value of put options					11,253
Share of net profit from associates accounted for using the equity method					3,124
Gain on associate investment dilution					2,069
Income tax expense					(49,823)
Loss from discontinued operations					(47,932)
Non-controlling interests					(222)
Profit for the year attributable to owners of carsales.com Ltd					84,011
Segment assets (Note 1(b)(iii))	174,957	19,079	97,970	483,903	775,909
Assets classified as held for sale					45,667
Deferred tax assets					18,547
Cash and cash equivalents					94,411
Unallocated assets					55,621
Total assets					990,155

*See Note 31 for details about restatements as a result of changes in accounting policies

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

(i) Segment revenue

Segment revenue is derived from sales to external customers as set out in Note 1(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 are measured in the same way as in the financial statements. Segment assets include goodwill, trade receivables, brands, customer relationships, property, plant and equipment, right-of-use assets, financial assets at fair value through other comprehensive income and investments accounted for using equity method. Unallocated assets include intangible and other assets utilised across multiple segments. All unallocated assets are assessed by the chief operating decision maker at a consolidated entity level.

(iv) Segment liabilities

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

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2. Revenue from contracts with customers

Accounting policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, agency commissions, trade allowances, rebates and amounts collected on behalf of third parties. Where services have not been provided but the Group is obligated to provide the services in the future, revenue recognition is deferred.

Type of revenue	Reporting segment	Recognition criteria
Dealer leads	Online Advertising (Dealer)/LATAM/Asia	Lead revenues are recognised at a point in time upon delivery of the lead to the dealers' lead management system.
Dealer listings	Online Advertising (Dealer)/LATAM/Asia	Dealer listings have a definite end date to the advertisement. Revenues are recognised over the period during which the listing is displayed on the carsales network.
Listing depth products	Online Advertising (Dealer/Private)/LATAM/Asia	Transaction value is allocated to customer service obligations based on the fair value and revenue is recognised over the period during which the product is displayed on the carsales network.
Private listing	Online Advertising (Private)/LATAM/Asia	Private listings remain effective until the consumer removes the advertisement. Revenues are recognised over the average number of days advertisements are displayed (based on historical trends).
Bundled products	Online Advertising (Dealer)/LATAM/Asia	Includes the combination of dealer advertising products and corporate media services under one single contractual price. Whilst the products are bundled, each individual service has its own distinct performance obligations and stand-alone selling prices (used to determine the fair value of each service). Revenue is recognised over time as performance obligations are fulfilled.
Sponsorship advertising	Online Advertising (Media)/LATAM/Asia	Revenues from sponsorship advertising are recognised in the period over which the advertisements are placed or displayed, depending on the type of contract.
Performance advertising and contracts	Online Advertising (Media)/LATAM/Asia	Revenues from performance advertising and performance contracts are recognised when the performance measure occurs and is generated (e.g. cost per click).
Subscription services	Online Advertising (Dealer/Media)/Data, Research and Services/LATAM/Asia	Subscription revenues are recognised over the subscription period.
Sale of goods	Online Advertising (Dealer/Private)	Revenues are recognised at a point in time when goods have been provided to a customer.
Inspection services	Online Advertising (Dealer/Private)/Asia	Revenue from vehicle inspection services are recognised when the inspection service is performed.
R&D tax rebate	Online Advertising	The research and development claim of the Company gives rise to a tax offset and this tax offset is recognised as other income.

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major segments:

	Online Advertising Services \$'000	Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
2020					
Dealer	146,407				
Private	77,822				
Media	48,970				
Total revenue from external customers	273,199	39,258	7,616	75,512	395,585
Revenue is recognised:					
At a point in time	157,650	9,330	225	24,431	191,636
Over time	115,549	29,928	7,391	51,081	203,949

As part of a Dealer Support Package offered to dealer customers in response to COVID-19, carsales provided a rebate for all fixed and variable fees for dealer customers invoiced in April, provided a 50% rebate on invoices in May and provided a 100% rebate on invoices relating to new car services in June. carsales also extended payment terms during March to May by an additional 30 days and provided access for customers to our counselling service at no charge. The total support provided to dealers was \$27.5 million. Revenue above is net of these rebates.

	Online Advertising Services \$'000	Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
2019					
Dealer	153,895				
Private	82,097				
Media	64,120				
Total revenue from external customers	300,112	43,147	9,131	65,104	417,494
Revenue is recognised:					
At a point in time	164,203	11,608	277	20,946	197,034
Over time	135,909	31,539	8,854	44,158	220,460

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3. Other income and expenses

Accounting policy

(i) Retirement benefit obligations

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's various retirement benefit plans. carsales.com Ltd and the Group's Australian subsidiaries have a number of defined contribution plans as required by Australian law. The defined contribution plans receive fixed contributions from the relevant employing Australian 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 carsales.com Ltd retirement plan. Employees of subsidiary companies in Australia are members of the relevant defined contribution plans operated by the subsidiary companies. Employees of international subsidiaries (except South Korea) are members of various government insurance and retirement schemes where the company is required to make mandatory deductions from employee pay to contribute towards these schemes.

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.

ENCARSALES.COM Ltd, the Group's subsidiary in South Korea, operates a defined benefit plan, under which amounts to be paid as retirement benefits are determined by reference to a formula based on employee's earnings and years of service. The defined benefit asset or liability comprises the present value of the defined benefit obligations, less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The discount rate used in calculating the present value of defined benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds of a term consistent with the term of the post-employment benefit obligations. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest, and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to reserves through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognises restructuring-related costs.

(ii) Finance income

Finance income is recognised on a time proportionate basis using the effective interest method. When a receivable amount is impaired, the Group reduces the carrying amounts 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 finance income. Finance income on impaired loans is recognised using the original effective interest rate.

(iii) Finance cost

Fees paid on the establishment of loan facilities are recognised net against the loan and amortised on a straight-line basis over the term of the facility. 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. The unwinding of the discount on put option liabilities are recognised as a finance expense.

Under new accounting standards, refer Note 31 for details, lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

(iv) JobKeeper

Receipts from the Australian JobKeeper program are accounted for as government grants and are included in personnel expenses as a contra amount. There are no unfulfilled conditions or other contingencies attaching to these grants.

	2020 \$'000	*Restated 2019 \$'000
Total profit before income tax includes the following specific expenses:		
Employee benefits	87,112	89,331
JobKeeper grants	(5,328)	-
Defined contribution superannuation expense	7,515	7,921
Defined benefit expense – ENCARSALES.COM Ltd	1,167	985
Finance Income	640	1,211
Finance Costs		
Interest and finance charges	(13,126)	(14,624)
Interest on leases	(1,848)	(2,073)
Unwinding of discount on put options liabilities	-	(442)
Total finance costs	(14,974)	(17,139)

* See Note 31 for details about restatements as a result of changes in accounting policies.

4. Income tax

Accounting policy

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. The current income tax charge is calculated on the basis of the tax laws in the countries where the Company's subsidiaries and associates operate and generate taxable income. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

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 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 controlled entities 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. Where there are current and deferred tax balances attributable to amounts recognised directly in equity, they are also recognised directly in equity.

The Group parent 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.

Adoption of Voluntary Tax Transparency Code

On 3rd of May 2016, the Australian Treasurer released a Voluntary Tax Transparency Code (the TTC). The TTC recommends additional tax information be publicly disclosed to help educate the public about large corporate compliance with Australia's tax laws. The Group fully supports the TTC and signed up to it from the financial year ended 30 June 2019. Accordingly, the income tax disclosures in this note include all relevant recommended additional disclosures of Part A of the Code.

Notes to the Consolidated Financial Statements continued

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4. Income tax continued

Key Assumption/Accounting Estimates

Deferred tax assets relating to tax losses

The Group recognises deferred tax assets relating to carry forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxable authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. During the year, management determined that tax losses relating to two entities no longer satisfied these tests and were subsequently written off. Deferred tax assets relating to tax losses incurred by those two entities during the year ended 30 June 2020 are not recognised.

Uncertain tax positions

The Group applies its current understanding of the tax law to estimate tax liabilities where the ultimate tax position is uncertain. When the tax position is ultimately determined or tax laws change, the actual tax liability may differ from this current estimate.

Research and development (R&D) claim

The research and development claim available to the Company is estimated in the accounts because a full assessment of the position cannot be made by the year end. It is the policy of the Company to only bring to account that preliminary portion of expenses that is reasonably expected to be claimable at period end.

(a) Income tax expense

	2020 \$'000	*Restated 2019 \$'000
Current tax	53,502	52,948
Adjustments for current tax of prior periods	(2,320)	(689)
Deferred tax	(2,349)	(2,436)
Adjustments for deferred tax of prior periods	1,372	-
	50,205	49,823
Deferred income tax expense included in income tax expense comprises:		
Increase/(decrease) in deferred tax assets	2,117	(3,535)
(Decrease)/increase in deferred tax liabilities	(4,466)	1,099
	(2,349)	(2,436)

* See Note 31 for details about restatements as a result of changes in accounting policies.

(b) Numerical reconciliation of income tax expense

	2020 \$'000	*Restated 2019 \$'000
Profit from continuing operations before income tax expense	172,040	181,988
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	51,612	54,596
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income – R&D tax offset ¹	(228)	(330)
Share options ²	(284)	(832)
Non-taxable gain on put option revaluation ³	(2,168)	(3,243)
Sundry items	92	1,123
Adjustment for prior periods	(948)	(689)
Current year losses for which no deferred tax has been recognised or tax losses written off ⁴	6,036	522
Tax relating to net profit from associates ⁵	(1,370)	(1,218)
Non-taxable gains relating to associates ⁶	(1,355)	(310)
Withholding tax on distribution of foreign subsidiary profits ⁷	1,508	2,540
Income tax differential (effect of foreign tax rates) ⁸	(2,690)	(2,336)
Income tax expense	50,205	49,823

* See Note 31 for details about restatements as a result of changes in accounting policies.

(c) Amounts recognised directly into equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the income statement or other comprehensive income but directly (credited) or debited to equity:

	2020 \$'000	2019 \$'000
Current tax – credited directly to equity	(587)	(353)
Net deferred tax – debited/(credited) directly to equity ⁹	67	(4,339)
	(520)	(4,692)

Explanation of key tax items:

1. Group's utilisation of research and development tax incentives.
2. Amounts relating to the provision of equity incentives.
3. Amount relating to revaluation of put options – see Note 10.
4. Amount relating to tax losses for which a deferred tax asset has not been recognised. The majority of these losses may be carried forward for between 5 and 10 years. Also includes amount relating to the write-off of tax losses for which a deferred tax asset had previously been recognised.
5. The Group's share of associates' results taken up in Group results, net of tax expense.
6. Non-assessable gain derived on the revaluation or dilution of equity interests held in an associate.
7. Withholding tax paid/estimated to be payable on dividend distributions.
8. The Group's profits are taxed at prevailing statutory rates which vary to the Australian statutory tax rate (as noted in the table below).
9. Related to equity incentives and cross-currency interest rate swap.

Statutory tax rates:

Country	2020	2019
Australia	30%	30%
New Zealand	28%	28%
Malaysia	24%	24%
China	25%	25%
Thailand	20%	20%
South Korea	22%	22%
USA	21%	21%
Argentina	35%	35%
Chile	27%	27%
Mexico	30%	30%

(d) Effective tax rate

	2020 \$'000	*Restated 2019 \$'000
Profit before income tax expense (A)	172,040	181,988
Income tax expense (B)	50,205	49,823
Effective tax rate (B/A)	29%	27%

* See Note 31 for details about restatements as a result of changes in accounting policies.

The effective tax rate for 2020 was affected by the non-taxable gains relating to associates and put options, tax losses not recognised and prior period over/under provisions, without which the effective tax rate for the year would have been 28%.

The effective tax rate for 2019 was positively affected by the non-taxable gain on put option revaluation and associate contributions, without which the effective tax rate for the year (after restating for the effects of AASB 16) would have been 28%.

Notes to the Consolidated Financial Statements continued

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4. Income tax continued

(e) Tax losses

	2020 \$'000	2019 \$'000
Unused tax losses for which no deferred tax asset has been recognised	18,952	1,920
Potential tax benefit	6,031	576

The unrecognised tax losses were incurred by loss making subsidiaries that are not likely to generate taxable income in the foreseeable future. They are carried forward for at least five years.

(f) Deferred tax assets

The balance comprises temporary differences attributable to:

	Employee benefits \$'000	Employee Share Trust \$'000	Doubtful debts \$'000	Expense accruals \$'000	Intan- gibles \$'000	Tax losses \$'000	Hedges \$'000	Other \$'000	Total \$'000
At 1 July 2019	3,658	907	688	1,516	(1,454)	5,430	5,234	2,568	18,547
Credited/(charged) to the profit or loss	140	91	45	(813)	(239)	(2,655)	-	1,316	(2,115)
Credited/(charged) directly to equity	-	912	-	-	-	-	(980)	-	(68)
Exchange differences	(40)	-	-	-	-	(620)	-	-	(660)
At 30 June 2020	3,758	1,910	733	703	(1,693)	2,155	4,254	3,884	15,704
*Restated at 1 July 2018	2,738	2,368	576	2,345	(1,699)	2,946	-	2,581	11,855
Credited/(charged) to the profit or loss	1,297	(566)	112	(650)	245	2,614	-	482	3,534
(Charged)/credited directly to equity	-	(895)	-	-	-	-	5,234	-	4,339
Deferred tax assets classified as held for sale	(396)	-	-	(179)	-	-	-	(495)	(1,070)
Exchange differences	19	-	-	-	-	(130)	-	-	(111)
*Restated at 30 June 2019	3,658	907	688	1,516	(1,454)	5,430	5,234	2,568	18,547

	2020 \$'000	*Restated 2019 \$'000
Deferred tax assets to be recovered within 12 months	7,904	6,933
Deferred tax assets to be recovered after more than 12 months	7,800	11,614
	15,704	18,547

* See Note 31 for details about restatements as a result of changes in accounting policies.

Certain liability balances are shown as part of deferred tax assets, as they originate in the same jurisdiction as, and can be offset against, other deferred tax assets. The liability balance for intangibles shown as part of deferred tax assets relates to in-house developed and capitalised software in Australia.

The Group has recorded a deferred tax asset on the unrealised derivative liability, in both FY19 and FY20, directly into equity (against the cash flow and net investment hedge reserves).

(g) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Intangibles \$'000	Withholding Tax \$'000	Total \$'000
At 1 July 2019	17,461	3,467	20,928
Credited to the profit or loss	(1,116)	(3,350)	(4,466)
Exchange differences	(781)	(117)	(898)
At 30 June 2020	15,564	-	15,564
At 1 July 2018	19,821	1,077	20,898
(Credited)/charged to the profit or loss	(1,274)	2,373	1,099
Deferred tax liabilities related to assets classified as held for sale	(1,230)	-	(1,230)
Exchange differences	144	17	161
At 30 June 2019	17,461	3,467	20,928
		2020	2019
		\$'000	\$'000
Deferred tax liabilities expected to be settled within 12 months		1,116	4,741
Deferred tax liabilities expected to be settled after more than 12 months		14,448	16,187
		15,564	20,928

5. Earnings per share

Accounting Policy

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.

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.

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

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5. Earnings per share continued

(a) Reported earnings per share

	Basic earnings per share		Diluted earnings per share	
	2020	*Restated 2019	2020	*Restated 2019
Earnings per share for profit attributable to the ordinary equity holders of the Company:				
Reported profit attributable to equity holders of the Company	114,668,000	84,011,000	114,668,000	84,011,000
Weighted average number of ordinary shares	245,034,776	243,631,320	245,034,776	243,631,320
Dilutive impact of options	-	-	224,015	133,811
Dilutive impact of performance rights	-	-	316,166	363,105
Total weighted average number of ordinary shares used in EPS calculation	245,034,776	243,631,320	245,574,957	244,128,236
Reported earnings per share/cents	46.8	34.5	46.7	34.4

*See Note 31 for details about restatements as a result of changes in accounting policies.

	Basic earnings per share		Diluted earnings per share	
	2020	*Restated 2019	2020	*Restated 2019
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:				
Reported profit attributable to equity holders of the Company	119,943,000	132,088,000	119,943,000	132,088,000
Weighted average number of ordinary shares	245,034,776	243,631,320	245,034,776	243,631,320
Dilutive impact of options	-	-	224,015	133,811
Dilutive impact of performance rights	-	-	316,166	363,105
Total weighted average number of ordinary shares used in EPS calculation	245,034,776	243,631,320	245,574,957	244,128,236
Reported earnings per share/cents	48.9	54.2	48.8	54.1

*See Note 31 for details about restatements as a result of changes in accounting policies.

	Basic earnings per share		Diluted earnings per share	
	2020	*Restated 2019	2020	*Restated 2019
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of the Company:				
Reported loss attributable to equity holders of the Company	(5,275,000)	(48,077,000)	(5,275,000)	(48,077,000)
Weighted average number of ordinary shares	245,034,776	243,631,320	245,034,776	243,631,320
Dilutive impact of options	-	-	224,015	133,811
Dilutive impact of performance rights	-	-	316,166	363,105
Total weighted average number of ordinary shares used in EPS calculation	245,034,776	243,631,320	245,574,957	244,128,236
Reported earnings per share/cents	(2.1)	(19.7)	(2.1)	(19.7)

*See Note 31 for details about restatements as a result of changes in accounting policies.

(b) Adjusted earnings per share

	Basic earnings per share		Diluted earnings per share	
	2020	*Restated 2019	2020	*Restated 2019
Reported profit attributable to equity holders of the Company	114,668,000	84,011,000	114,668,000	84,011,000
Adjusted for: Net result after tax from discontinued operations	5,275,000	48,077,000	5,275,000	48,077,000
Add: COVID-19 Dealer Support Package (net of tax)**	19,284,000	-	19,284,000	-
Less: gain on associate investment dilution (net of NCI)	-	(1,552,000)	-	(1,552,000)
Less: changes in fair value of put option liabilities and deferred consideration	(7,228,000)	(11,253,000)	(7,228,000)	(11,253,000)
Add: other adjusting items (net of tax)**	2,005,000	1,287,000	2,005,000	1,287,000
Add: one-off tax adjustment	3,727,000	-	3,727,000	-
Add: option unwinding discount	-	442,000	-	442,000
Add: bad debt write-off (net of tax)**	-	2,161,000	-	2,161,000
Add: acquired intangibles amortisation (net of tax)**	7,128,000	6,988,000	7,128,000	6,988,000
Less: fair value gain arising from discontinuing the equity method (net of NCI)	(7,142,000)	-	(7,142,000)	-
Add: loss on disposal of subsidiary	472,000	-	472,000	-
Adjusted profit attributable to equity holders of the Company for continuing operations	138,189,000	130,161,000	138,189,000	130,161,000
Adjusted earnings per share/cents for continuing operations***	56.4	53.4	56.3	53.3

* See Note 31 for details about restatements as a result of changes in accounting policies.

** Adjusted EBITDA is presented after these items prior to tax charge at 30%.

*** The Directors believe the presentation of "adjusted earnings per share" provides the best measure to assess the performance of the Group by excluding significant one-off items of income and expense to arrive at an adjusted profit measure which reflects the underlying financial performance of the Group.

Notes to the Consolidated Financial Statements continued

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

	2020 \$'000	*Restated 2019 \$'000
Profit for the year	116,953	84,233
Depreciation and amortisation	36,351	33,733
Impairment loss (discontinued operations – Note 21)	4,450	47,809
Non-cash employee benefits expense – share-based payments	3,480	(21)
Loss on disposal of assets	112	2
Profit on termination of leases	(74)	-
Net finance related costs	14,844	16,609
Gain on associate fair value adjustment and investment dilution	-	(2,069)
Fair value gain arising from discontinuing the equity method	(9,753)	-
Share of net profit from associates accounted for using the equity method	(4,177)	(3,124)
Loss on disposal of subsidiaries	1,676	-
Bad debts written-off	133	3,063
Changes in fair value of put options	(7,228)	(11,253)
Foreign exchange differences	(39)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors	11,993	(3,205)
(Increase)/decrease in inventory	(281)	1,397
Decrease/(increase) in deferred tax assets	3,941	(3,166)
(Decrease) in trade creditors and other liabilities	(8,915)	(5,195)
Increase in deferred revenue	3,365	4,974
Increase/(decrease) in provision for income taxes payable	10,732	(7,209)
(Decrease)/increase in deferred tax liabilities	(6,594)	1,083
Increase in other provisions	472	405
Net cash inflow from operating activities	171,441	158,066

*See Note 31 for details about restatements as a result of changes in accounting policies.

The reconciliation of profit after income tax to net cash inflow from operating activities includes both continuing and discontinued operations.

FINANCING AND RISK MANAGEMENT

This section provides information about the capital management practices of the Group, the Group's exposure and management of various financial risks and explains how these affect the Group's financial position and performance.

7. Cash and cash equivalents

Accounting Policy

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 that 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.

The Company's exposure to interest rate risk is discussed in Note 11 Financial Risk Management. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned below.

	2020 \$'000	2019 \$'000
Cash and cash equivalents	179,937	94,411

8. Borrowings

Accounting Policy

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 are recognised net against the loan and amortised on a straight-line basis over the term of the facility.

Borrowings are derecognised 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 as 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.

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 in the period in which the expense is incurred.

Notes to the Consolidated Financial Statements continued

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8. Borrowings continued

	2020 \$'000	2019 \$'000
Bank loan – carsales.com Ltd	545,000	475,000
Other debt – RedBook Inspect Pty Ltd	370	848
	545,370	475,848
Less: Unamortised borrowing costs	(1,126)	(1,286)
	544,244	474,562
Comprising:		
Current borrowings	174	248
Non-current borrowings	544,070	474,314
	544,244	474,562

At 30 June 2020 carsales.com Ltd had a syndicated revolving loan facility and established a \$545.0 million debt facility under a Common Terms Deed (CTD) documentation structure as follows:

Facility	Commitment (\$'000)	Drawn at close (\$'000)	Maturity date
Tranche A	335,000	335,000	5 July 2021
Tranche B	210,000	210,000	4 July 2023
Total	545,000	545,000	

Six financiers are part of the syndicate and each of these financiers entered into a bilateral facility agreement with the Company under the CTD documentation structure. The syndicate comprises National Australia Bank Limited (NAB), Australia and New Zealand Banking Group Limited (ANZ), Hongkong and Shanghai Banking Corporation (HSBC), Westpac Banking Corporation (WBC), MUFG Bank Ltd and Bank of China.

Borrowings under this loan facility bear interest at a floating rate of BBSY Bid plus a margin, with margin based on a net leverage ratio of the Group.

The Group has complied with all debt covenants throughout the reporting period.

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

	2020 \$'000	2019 \$'000
Floating rate		
– Expiring within one year	-	-
– Expiring within two to five years	-	70,000
	-	70,000

On 5 July 2020, the Company completed a full refinance of its facilities which increased the existing Tranche A facilities by a further \$105.0 million and extended the maturity date to 5 July 2024, as set out in Note 27.

9. Changes in assets and liabilities arising from financing activities

The table below shows cash and non-cash changes in assets and liabilities for which cash flows were, or will be, classified as financing activities in the Consolidated Statement of Cash Flows.

This disclosure, which is a requirement of *AASB 107 Statement of Cash Flows*, allows users to understand changes in the balance of certain liabilities such as borrowings. It also includes certain assets where cash flows have been, or will be, included in cash flows from financing activities. This disclosure identifies changes from cash flows as well as non-cash changes such as acquisitions, movement in fair value and exchange differences.

	Liabilities from financing activities		Other financial liabilities/assets			Total \$'000
	Borrowings \$'000	Lease liabilities \$'000	Other financial liabilities \$'000	Derivative liabilities \$'000	Other finance receivables/ payables) \$'000	
2020						
Opening balance	(474,562)	(63,713)	(9,538)	(17,445)	296	(564,962)
Net cash flows from financing activities	(69,877)	6,826	-	-	897	(62,154)
Acquisitions – leases	-	(2,681)	-	-	-	(2,681)
Modification – leases	-	(1,538)	-	-	-	(1,538)
Termination – leases	-	331	-	-	-	331
Finance costs	-	-	-	-	(2,092)	(2,092)
Fair value through OCI (including tax)	-	-	-	3,266	-	3,266
Fair value through profit or loss	-	-	9,538	-	-	9,538
Foreign exchange adjustments	-	158	-	-	-	158
Other changes	(112)	-	-	-	-	(112)
Movement in liabilities directly associated with assets classified as held for sale	307	(354)	-	-	-	(47)
Closing balance	(544,244)	(60,971)	-	(14,179)	(899)	(620,293)
2019						
Opening balance	(454,758)	(77,067)	(21,649)	-	-	(553,474)
Net cash flows from financing activities	(25,507)	5,934	-	-	(1,543)	(21,116)
Acquisitions – leases	-	(3,220)	-	-	-	(3,220)
Finance costs	-	-	(442)	-	1,839	1,397
Fair value through OCI (including tax)	-	-	-	(17,445)	-	(17,445)
Fair value through profit or loss	-	-	11,253	-	-	11,253
Foreign exchange adjustments	-	(112)	-	-	-	(112)
Other changes	1,202	-	1,300	-	-	2,502
Liabilities directly associated with assets classified as held for sale	4,501	10,752	-	-	-	15,253
Closing balance	(474,562)	(63,713)	(9,538)	(17,445)	296	(564,962)

10. Financial assets and liabilities and fair value measurement

Accounting Policy

Derivatives

Classification of derivatives

The Company designates derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. The hedges are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Cash flow hedges

Cash flow hedges are accounted for as follows: the fair value gain or loss associated with the effective portion of the derivative is recognised initially in other comprehensive income (cash flow hedge reserve – CFHR) and then recycled to the income statement in the same period that the hedged item affects the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

Hedges of net investments in foreign operations

The Company uses net investment hedges to mitigate the foreign exchange risk arising from the Group's net investments in foreign operations. Net investment hedges are accounted for similar to cash flow hedges, in that the effective portion of the gain or loss on the hedging instrument shall be recognised in other comprehensive income (in the foreign currency translation reserve – FCTR) while the ineffective portion shall be recognised in profit or loss. The cumulative gain or loss on the hedging instrument that has been accumulated in the FCTR shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

The Company designates the cross-currency interest rate swap contracts as:

- cash flow hedges of interest rate exposure on foreign currency borrowings; and
- hedges of net investments in foreign operations.

The foreign currency basis spread of the cross-currency interest rate swaps are excluded from the designation of that financial instrument as the hedging instrument. Changes in fair value of the foreign currency basis spread of the financial instrument is accumulated in the CFHR, and is amortised to profit or loss on a rational basis over the term of the hedging item.

Both the cash flow hedge and the net investment hedge have been assessed as being 100% effective (see note below). Further details of the fair values of the derivative instruments used for hedging purposes and the movements in the reserves in equity are disclosed in Note 11.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For the cross-currency interest rate swaps, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. Therefore it has adopted a 1:1 ratio. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, a hypothetical derivative method is used to assess effectiveness.

For the interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount, as all critical terms matched during the year, the economic relationship was 100% effective.

Financial assets at fair value through other comprehensive income

Refer Note 20(d) for accounting policy on financial assets at fair value through other comprehensive income.

Financial assets and liabilities that are carried at fair value are measured by the following fair value measurement hierarchy:

- i. **Level 1:** the fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period;
- ii. **Level 2:** the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and
- iii. **Level 3:** if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial asset/liability	Fair value approach	Level	2020 \$'000	2019 \$'000
Quoted equity instrument	Measured at fair value through OCI	1	13,601	9,766
Derivative financial liabilities – cross-currency interest rate swaps	Measured at fair value through OCI	2	(14,179)	(17,445)
Unquoted financial assets	Measured at fair value through OCI	3	27,117	10,139
Other financial liabilities	Measured at fair value through profit or loss	3	-	(9,538)

(a) Valuation techniques used to determine fair values

Level 1

- This balance represents the investment in iCar Asia Limited which is listed on the ASX and therefore has a readily determinable market value.

Level 2

- This balance represents the AUD:KRW Non-Deliverable Cross-Currency Interest Rate Swaps (Swaps) entered on 4 July 2018. These swaps protect the Group against defined foreign currency and interest rate exposures. The net investment hedge protects the Group against foreign exchange risk relating to net investment in ENCARSALES.COM Ltd. The cash flow hedge protects the Group against the variability of cash flows derived from carsales.com Ltd's AUD floating rate debt issuance. Management assessed the hedges as being effective and therefore the fair value movement has been recorded through the net investment and cash flow hedge reserves. The fair value of \$14.2 million in relation to these swaps has been recorded as a non-current liability in the balance sheet. The swaps were independently valued at balance date based on the contracted fixed interest rate and the market forward interest rate. Projected cash flows are discounted using discount factors interpolated off the zero-coupon curve. The fair values of the swaps are adjusted for non-performance risk for both carsales and the bank counterparties (using bilateral credit/debit valuation adjustments).

Level 3

- Investments in unquoted financial assets measured at fair value through other comprehensive income include: RateSetter Australia Pty Ltd (\$19.1 million), PromisePay Pte Ltd (\$2.7 million) and other equity investments (\$5.3 million). Refer Note 20(d) for further details. RateSetter's valuation was derived from management's internal calculation based on revenue multiples of comparable public companies (peers). The valuation is sensitive, any changes in revenue for RateSetter or changes in the group of comparable companies used would result in a change in the fair value of the investment under this valuation approach.

In relation to PromisePay Pte Ltd, a business restructure occurred in March 2020, resulting in the divestment of Assembly Payments Pte Ltd into a separate joint venture. The fair value of the investment in Assembly Payments Pte Ltd was based on the equity price the new Joint Venture partner paid as part of the March 2020 restructure. The fair value of the remaining investment in PromisePay Pte Ltd was based on the independent valuation performed during the period.

- The value of put options recognised at fair value is \$nil (2019: \$9.5 million). The put options valuations were based on contractual multiples of future earnings of the acquired subsidiaries for a defined period and were valued at financial year end based on forecasts of earnings for each acquired subsidiary. The most significant put option at 30 June 2019 related to Appraisal Solutions Australia Pty Ltd. In February 2020, the Group purchased the remaining 40% stake in Appraisal Solutions thereby extinguishing the put option liabilities as at year ended 30 June 2020. All other put options existed at 30 June 2019 have lapsed during the year ended 30 June 2020. Movements in the fair value of put options during the year resulted in a gain of \$7.2 million (2019: \$11.3 million) recognised in the profit and loss.

There were no transfers between levels during the year.

Notes to the Consolidated Financial Statements continued

30 June 2020

10. Financial assets and liabilities and fair value measurement continued

(b) Valuation processes

The Group finance department performs the valuations required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Unquoted financial assets – revenue multiple for comparable public companies (peers), latest capital raising and independent valuations.
- Put option liabilities – earnings growth factor and risk adjusted discount rate.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

11. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, 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.

Risk management is the responsibility of the Chief Financial Officer (CFO) and follows approved policies of the Board of Directors. The CFO identifies, evaluates and hedges financial risks in close cooperation with the Group's operating leaders.

(a) Market risk

(i) 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 (BRL), the South Korean Won (KRW), the Mexican Peso (MXN), the Chilean Peso (CLP) and the Argentinian Peso (ARS). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

Risk management policy

Hedging contracts are sometimes used to manage foreign currency exchange risk. The Company has a treasury strategy and a treasury policy and will actively hedge any major known commitments using forward exchange contracts. Trading and dividend cash flows between associates, subsidiaries and the Group are not hedged unless the cash flows are significant and the amount and future payment date are certain.

Material arrangements in place at reporting date

On 4th July 2018, the Company entered into AUD:KRW Non-Deliverable Cross-Currency Interest Rate Swaps with the syndicate banking group with a total notional value of \$335.0 million, with \$125.0 million having a maturity of three years and \$210.0 million a maturity of five years. These derivative instruments swap AUD floating rates with South Korean Won fixed rates, thus synthetically creating \$335.0 million of fixed rate debt. The swaps hedge the variability in floating interest rates on bank debt and fluctuations in exchange rates relating to carsales net investment in ENCARSALES.COM Ltd. Subsequent to 30 June 2020, the two swaps having a maturity of three years (which were due to terminate in July 2021) were closed out.

The following tables detail information regarding the cross-currency interest rate swaps designated in cash flow hedge or net investment hedge relationships at the end of the reporting period and their related hedged items. The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gains or losses on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

2020	Current notional amount \$'000	Carrying amount of hedging instrument Assets/ (Liabilities) \$'000	Change in value of hedging instrument \$'000	Change in value of hedged item \$'000	Ineffectiveness \$'000	CFHR opening balance before tax Dr/(Cr) \$'000	Movement in CFHR Dr/(Cr) \$'000	Closing CFHR before tax Dr/(Cr) \$'000
Cash flow hedges								
Cross-currency interest rate swap	335,000	(19,243)	(1,225)	(1,305)	-	18,018	1,138	19,156
Net investment hedge								
Cross-currency interest rate swap	335,000	5,064	4,490	4,490	-	n/a	n/a	n/a
Total		(14,179)	3,265	3,185	-	18,018	1,138	19,156

2019

Cash flow hedges

Cross-currency interest rate swap	335,000	(18,018)	(18,018)	(18,018)	-	-	18,018	18,018
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Net investment hedge

Cross-currency interest rate swap	335,000	573	573	573	-	n/a	n/a	n/a
Total		(17,445)	(17,445)	(17,445)	-	-	18,018	18,018

The following table details the average notional principal amounts, average contract FX rate and the average fixed interest rate of the hedging instrument (cross-currency interest rate swap) at the end of the financial year:

2020	Weighted Average of the Hedging Instrument			
	< 1 year	1 – 2 years	2 – 5 years	Over 5 years
Cross-currency interest rate swap				
Average contracted FX rate (AUD/KRW)	827.83	827.83	828.13	-
Average contracted fixed interest rate (%)	1.41	1.41	1.48	-
Average notional amount* (\$ million)	335	335	214	-

*Subsequent to 30 June 2020, two swaps were closed out in July 2020, refer to Note 27 for details.

2019

Cross-currency interest rate swap

Average contracted FX rate (AUD/KRW)	827.83	827.83	828.13	-
Average contracted fixed interest rate (%)	1.41	1.41	1.48	-
Average notional amount (\$ million)	335	335	214	-

Notes to the Consolidated Financial Statements continued

30 June 2020

11. Financial risk management continued

Material exposures and sensitivity

The analysis below reflects management's view of possible movements in relevant foreign currencies against the Australian dollar. The table summarises the range of possible outcomes that would affect the Group's net profit and equity as a result of foreign currency movements (excluding derivatives in separate table below):

		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Impact on profit:					
		-5%	-5%	+5%	+5%
AUD to KRW	(+5% to -5%)	843	623	(843)	(623)
AUD to BRL	(+5% to -5%)	244	245	(244)	(245)
AUD to MXN	(+5% to -5%)	(181)	(153)	181	153
AUD to CLP	(+5% to -5%)	40	21	(40)	(21)
AUD to ARS	(+5% to -5%)	(83)	(81)	83	81
Net Movement		863	655	(863)	(655)
Impact on equity:					
AUD to KRW	(+5% to -5%)	20,770	22,557	(20,770)	(22,557)
AUD to BRL	(+5% to -5%)	2,326	3,077	(2,326)	(3,077)
AUD to MXN	(+5% to -5%)	(675)	(581)	675	581
AUD to CLP	(+5% to -5%)	288	307	(288)	(307)
AUD to ARS	(+5% to -5%)	136	234	(136)	(234)
Net Movement		22,845	25,594	(22,845)	(25,594)

Cash flow hedge sensitivity

Management has also calculated the impact on the balance sheet for the year as a result of a +/- 5% variance change in the Cross-Currency Interest Rate Swap below (a positive impact means a reduction in the carrying value of the liability and a negative impact means an increase in the carrying value of the liability):

	2020 \$'000	2019 \$'000
Cross-Currency Interest Rate Swap		
AUD/KRW		
+ 5%	16,465	16,540
- 5%	(18,186)	(18,265)

(ii) Price risk

The Group's exposure to equity securities price risk arises from the 11.7% investment in iCar Asia Limited held by the Group and classified in the balance sheet as a financial asset at fair value through other comprehensive income (see Note 20(d)). Changes in the fair value are recognised directly in other comprehensive income as an irrevocable election was made by the Group on adoption of *AASB 9 Financial Instruments*.

A movement in the value of this asset upwards or downwards 5% would increase or decrease its carrying value by \$0.7 million with a corresponding debit or credit recognised in other comprehensive income.

Other than the investment in iCar Asia Limited, the Group is not exposed to significant price equities risk.

(b) Credit risk

Credit risk of the Group arises predominantly from outstanding receivables from customers and from its financing activities, including deposits with financial institutions.

Risk management policy

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which may include an assessment of their financial position, past experience and industry reputation, depending on the amount of credit to be granted.

Receivables balances are monitored on an ongoing basis. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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.

Material arrangements in place at the reporting date

The net trade receivables balance at 30 June 2020 was \$37.4 million (2019: \$50.0 million). See below for the aging profile of net trade receivables.

	Note	2020 \$'000			2019 \$'000		
		Gross receivables	Expected loss rate	Loss allowance	Gross receivables	Expected loss rate	Loss allowance
Current		34,154	0-0.5%	26	42,051	0-0.5%	45
More than 30 days past due		843	1.0%	22	3,176	1.0%	33
More than 60 days past due		1,089	2.5-5.0%	21	3,422	2.5-5.0%	86
More than 90 days past due		320	7.5-10%	39	676	7.5-10%	70
More than 120 days past due		1,532	50-80%	542	1,076	50-80%	556
More than 180 days past due		2,408	80-100%	2,275	2,594	80-100%	2,170
Total	15	40,346		2,925	52,995		2,960

The loss allowance for trade receivables as at 30 June reconciles to the opening loss allowance as follows:

	2020 \$'000	2019 \$'000
Opening loss allowance as at 1 July	2,960	2,851
Increase in loss allowance recognised in profit or loss during the year	555	109
Receivables written off during the year as uncollectible	(590)	-
Closing loss allowance at 30 June	2,925	2,960

Trade receivables are written-off when there is no reasonable expectation of debt recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 180 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line.

Notes to the Consolidated Financial Statements continued

30 June 2020

11. Financial risk management continued

Material exposures and sensitivity

The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets.

(c) Interest rate risk

The consolidated entity's exposure to the cash flow risk of changes in market interest rates relates primarily to cash at bank and long-term borrowings. Cash and cash equivalents draw interest at variable interest rates. Bank overdrafts are at a fixed interest rate 6.5% (2019: 8.1%).

Risk management policy

carsales.com Ltd has a Board-approved treasury policy and treasury strategy for the management of interest rate risk. The Board keeps the decision to actively hedge interest rate risk under regular review. Any derivative contracts will be entered into solely for interest rate risk and currency risk management and no speculative hedging is permitted under the policy.

Material arrangements in place at the reporting date

The Group has \$545.0 million (2019: \$475.0 million) variable rate borrowings at a weighted average interest rate of 1.6% (2019: 3.2%). The borrowings are periodically contractually repriced every three months and to that extent are also exposed to the risk of future changes in market interest rates. The Group also has \$335.0 million AUD:KRW Non-Deliverable Cross-Currency Interest Swaps to protect the Group against interest rate exposures.

Material exposures and sensitivity

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 2020					
Financial assets					
Cash and cash equivalents	179,937	(1,120)	(1,120)	1,120	1,120
Financial liabilities					
Variable rate borrowings	(545,000)	4,870	4,870	(4,870)	(4,870)
Total increase/(decrease)		3,750	3,750	(3,750)	(3,750)
At 30 June 2019					
Financial assets					
Cash and cash equivalents	94,411	(804)	(804)	804	804
Financial liabilities					
Variable rate borrowings	(475,000)	4,700	4,700	(4,700)	(4,700)
Total increase/(decrease)		3,896	3,896	(3,896)	(3,896)

Management also calculated the impact on the carrying value of the hedge liability in the event of a +/- 100 bps change in interest rates (a positive impact means a reduction in the carrying value of the liability and a negative impact means an increase in the carrying value of the liability):

	June 2020 \$'000	June 2019 \$'000
Cross-Currency Interest Rate Swap		
AUD BBSY		
+ 100 bps	(18)	74
- 100 bps	21	(74)
KRW KORIBOR		
+ 100 bps	7,639	10,881
- 100 bps	(7,882)	(11,322)

(d) Liquidity risk

Prudent liquidity risk management entails 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.

Risk management policy

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains borrowing facilities to enable the Group to borrow funds when necessary.

Material arrangements in place at reporting date

	2020 \$'000	*Restated 2019 \$'000
Net debt		
Borrowings (Note 8)	544,244	474,562
Derivative liabilities (Note 11)	14,179	17,445
Lease liabilities (Note 17)	60,971	63,713
Less: cash and cash equivalents (Note 7)	(179,937)	(94,411)
Net debt	439,457	461,309

* See Note 31 for details about restatements as a result of changes in accounting policies.

Material exposures – contractual 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.

	0 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
At 30 June 2020						
Non-derivatives						
Non-interest bearing payables	30,784	-	202	-	30,986	30,986
Variable rate borrowings	-	335,587	210,184	-	545,771	543,911
Fixed rate borrowings	271	174	-	-	445	333
Lease liabilities	7,989	6,083	14,691	43,116	71,879	60,971
Total non-derivatives	39,044	341,844	225,077	43,116	649,081	636,201
Derivatives						
Cross-currency interest rate swap	-	-	14,179	-	14,179	14,179
Total derivatives	-	-	14,179	-	14,179	14,179

Notes to the Consolidated Financial Statements continued

30 June 2020

11. Financial risk management continued

*Restated At 30 June 2019	0 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
Non-derivatives						
Non-interest bearing payables	29,962	-	29	-	29,991	29,991
Variable rate borrowings	-	-	476,715	-	476,715	473,798
Fixed rate borrowings	263	546	-	-	809	764
Lease liabilities	8,137	7,495	15,016	48,290	78,938	63,713
Other financial liabilities – held for trading	-	9,538	-	-	9,538	9,538
Total non-derivatives	38,362	17,579	491,760	48,290	595,991	577,804
Derivatives						
Cross-currency interest rate swap	-	-	17,445	-	17,445	17,445
Total derivatives	-	-	17,445	-	17,445	17,445

*See Note 31 for details about restatements as a result of changes in accounting policies.

Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents, 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.

EQUITY

This section provides information about the capital management practices of the business.

12. Contributed equity

Accounting Policy

Ordinary shares are classified as equity.

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.

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.

(a) Share capital

	Notes	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares fully paid	12(b)	245,613,817	244,347,196	149,817	135,372
		245,613,817	244,347,196	149,817	135,372

(b) Movements in ordinary share capital

Movement in ordinary shares during the period	Number of shares	\$'000
Balance at 1 July 2019	244,347,196	135,372
Exercise of options and performance rights under the carsales.com Ltd Employee Option Plan	536,528	4,493
Dividend Reinvestment Plan	730,093	9,952
Balance at 30 June 2020	245,613,817	149,817
Balance at 1 July 2018	242,982,207	119,541
Exercise of options and performance rights under the carsales.com Ltd Employee Option Plan	363,444	2,412
Dividend Reinvestment Plan	1,001,545	13,419
Balance at 30 June 2019	244,347,196	135,372

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 29.

13. Reserves and retained earnings

Nature and purpose of reserves

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

Exchange differences arising on translation of the foreign operations are taken to the **foreign currency translation reserve**, as described in 'Basis of preparation' and accumulated within a separate reserve within equity. The reserve is recognised in profit or loss when the net investment is disposed of.

The Group had put options over some of its non-controlling interests. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within other financial liabilities with a corresponding charge directly to equity in the **NCI acquisition reserve**. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable.

Notes to the Consolidated Financial Statements continued

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13. Reserves and retained earnings continued

(a) Reserves

	Share-based payment \$'000	Foreign currency translation \$'000	Post- employ- ment benefits \$'000	Financial asset FVOCI \$'000	NCI acquisition \$'000	Cash flow hedge \$'000	Net investment hedge \$'000	Other Reserves \$'000	Total reserves \$'000
Balance at 1 July 2019	25,442	(1,057)	607	(2,320)	(39,753)	(12,163)	(450)	-	(29,694)
<i>Items that may be classified to profit or loss</i>									
Exchange differences on translation of foreign operations	-	(32,366)	-	-	-	-	-	-	(32,366)
Remeasurement of post-employment benefit obligations	-	-	(983)	-	-	-	-	-	(983)
Loss on cash flow hedge	-	-	-	-	-	(1,246)	-	-	(1,246)
Gain/(loss) on net investment hedge	-	3,930	-	-	-	-	(398)	-	3,532
<i>Items that will not be reclassified to profit or loss</i>									
Changes in financial assets at fair value through other comprehensive income	-	-	-	3,967	-	-	-	-	3,967
Total comprehensive income for the year	-	(28,436)	(983)	3,967	-	(1,246)	(398)	-	(27,096)
Transactions with owners in their capacity as owners:									
Increase in share-based payment reserve inclusive of tax	4,392	-	-	-	-	-	-	-	4,392
Transaction with non-controlling interests	-	-	-	-	1,166	-	-	(5,021)	(3,855)
Balance at 30 June 2020	29,834	(29,493)	(376)	1,647	(38,587)	(13,409)	(848)	(5,021)	(56,253)

	Share-based payment \$'000	Foreign currency translation \$'000	Post- employ- ment benefits \$'000	Financial asset FVOCI \$'000	NCI acquisition \$'000	Cash flow hedge \$'000	Net investment hedge \$'000	Other Reserves \$'000	Total reserves \$'000
Balance at 1 July 2018	26,004	(12,820)	(35)	(686)	(36,890)	-	-	-	(24,427)
<i>Items that may be classified to profit or loss</i>									
Exchange differences on translation of foreign operations	-	11,763	-	-	-	-	-	-	11,763
Remeasurement of post-employment benefit obligations	-	-	642	-	-	-	-	-	642
Loss on cash flow hedge	-	-	-	-	-	(12,163)	-	-	(12,163)
Loss on net investment hedge	-	-	-	-	-	-	(450)	-	(450)
<i>Items that will not be reclassified to profit or loss</i>									
Changes in financial assets at fair value through other comprehensive income	-	-	-	(1,634)	-	-	-	-	(1,634)
Total comprehensive income for the year	-	11,763	642	(1,634)	-	(12,163)	(450)	-	(1,842)
<i>Transactions with owners in their capacity as owners:</i>									
Decrease in share-based payment reserve inclusive of tax	(562)	-	-	-	-	-	-	-	(562)
Transaction with non-controlling interests	-	-	-	-	(2,863)	-	-	-	(2,863)
Balance at 30 June 2019	25,442	(1,057)	607	(2,320)	(39,753)	(12,163)	(450)	-	(29,694)

Transaction with non-controlling interests

On 16 August 2019 carsales.com Ltd acquired a further 29.9% stake of RedBook Inspect Pty Ltd for a consideration of \$2.5 million giving carsales 80% ownership of RedBook Inspect Pty Ltd.

On 21 February 2020 carsales.com Ltd acquired the remaining 40% stake of Appraisal Solutions Australia Pty Ltd for a consideration of \$1.9 million giving carsales 100% ownership of Appraisal Solutions Australia Pty Ltd.

Recognition of non-controlling interests acquisition reserve

The Group previously had put options over some of its non-controlling interests. As at June 2020 the value of put options is \$nil.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within other financial liabilities with a corresponding charge directly to equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable – refer Note 10.

Notes to the Consolidated Financial Statements continued

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13. Reserves and retained earnings continued

(b) Retained earnings

Movements in retained earnings were as follows:

	2020 \$'000	*Restated 2019 \$'000
Balance 1 July	209,934	232,289
Impact of changes in accounting policy	(6,573)	(5,310)
Restated balance 1 July	203,361	226,979
Net profit for the year	114,668	84,011
Dividends	(115,144)	(107,629)
Balance 30 June	202,885	203,361

*See Note 31 for details about restatements as a result of changes in accounting policies.

14. Dividends

Accounting Policy

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.

	2020 \$'000	2019 \$'000
Declared and paid during the period (fully-franked at 30%)		
Final dividend per fully paid share for the year ended 30 June 2019: 25.0 cents (2018: 23.7 cents) paid in cash	54,881	50,262
Final dividend per fully paid share for the year ended 30 June 2019: 25.0 cents (2018: 23.7 cents) satisfied through the issuance of shares under the Dividend Reinvestment Plan	6,303	7,378
Interim dividend per fully paid share for the year ended 30 June 2020: 22.0 cents (2019: 20.5 cents) paid in cash	50,311	43,948
Interim dividend per fully paid share for the year ended 30 June 2020: 22.0 cents (2019: 20.5 cents) satisfied through the issuance of shares under the Dividend Reinvestment Plan	3,649	6,041
Total dividends provided for or paid	115,144	107,629
Proposed and unrecognised as a liability (fully-franked at 30%)		
Final dividend per fully paid ordinary share for 2020: 25.0 cents (2019: 25.0 cents) Proposed dividend is expected to be paid on 7 October 2020 out of retained earnings at 30 June 2020 but is not recognised as a liability at year end	61,403	61,150
Franking credit balance (based on a tax rate of 30%)		
Franking credits available for future years, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year	25,348	43,462

Dividend Reinvestment Plan (DRP)

The carsales.com Ltd DRP will be maintained for the 2020 final dividend, offering shareholders the opportunity to acquire further ordinary shares in carsales. The DRP will not be offered at a discount and the price will be calculated using the daily volume weighted average sale price of carsales.com Ltd shares sold in the ordinary course of trading on the ASX during the five days after, but not including, the Record Date 23 September 2020. The last date for shareholders to nominate their participation in the DRP is 5:00pm (AEST) on 24 September 2020. Shares issued under the DRP will rank equally with carsales.com Ltd existing fully paid ordinary shares. Shareholders eligible to participate in the DRP are currently limited to those whose registered address on the carsales.com Ltd share registry is in Australia or New Zealand.

Eligible shareholders who wish to participate in the DRP can make their elections online at www.computershare.com.au/easyupdate/CAR or complete the DRP form, which will be sent to shareholders for completion and submission to Computershare Investor Services Pty Ltd (carsales share registry). Further information can be obtained from Computershare on 1300 850 505.

OTHER ASSETS AND LIABILITIES

This section provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk.

15. Trade and other receivables

Accounting Policy

(a) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 45 days following the provision of advertising, data services and sale of goods and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less the loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 11.

(b) Accrued income

Services provided in the current reporting period are recognised on an accrual basis. Settlement is generally within 30 days.

(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.

Other non-current receivables represent deposits paid in relation to long-term property leases by ENCARSALES.COM Ltd.

(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. Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 11.

Notes to the Consolidated Financial Statements continued

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15. Trade and other receivables continued

	2020 \$'000	2019 \$'000
Current assets		
Trade receivables	40,346	52,995
Loss allowance (see Note 11)	(2,925)	(2,960)
Trade receivables	37,421	50,035
Accrued income	4,049	2,933
Other receivables	7,592	2,731
Prepayments	5,267	5,539
Trade and other receivables	54,329	61,238
Non-current assets – other receivables	7,096	7,363

16. Property, Plant & Equipment

Accounting Policy

Property, plant and equipment is stated at historical cost less accumulated 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 expenses are charged to the profit or loss during the financial period in which they are incurred.

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.

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

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:

- Motor vehicles 3 – 5 years
- Plant and equipment 3 – 10 years
- Leasehold improvements 3 – 10 years or minimum lease period if shorter

	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improve- ments \$'000	Total \$'000
Year ended 30 June 2020				
Opening net book amount	2,921	1,217	6,374	10,512
Additions	2,105	197	6,713	9,015
Disposals	(171)	(117)	-	(288)
Depreciation charge	(1,610)	(474)	(3,150)	(5,234)
Exchange differences	(177)	(4)	(64)	(245)
Closing net book amount	3,068	819	9,873	13,760
At 30 June 2020				
Cost	12,390	1,775	21,356	35,521
Accumulated depreciation	(9,322)	(956)	(11,483)	(21,761)
Net book amount	3,068	819	9,873	13,760
Year ended 30 June 2019				
Opening net book amount	3,721	711	9,477	13,909
Additions	1,423	703	1,687	3,813
Disposals	(14)	-	-	(14)
Assets classified as held for sale	(608)	(9)	(2,361)	(2,978)
Depreciation charge	(1,361)	(212)	(2,574)	(4,147)
Depreciation charge – discontinued operations	(264)	(3)	(71)	(338)
Exchange differences	24	27	216	267
Closing net book amount	2,921	1,217	6,374	10,512
At 30 June 2019				
Cost	11,044	1,832	14,847	27,723
Accumulated depreciation	(8,123)	(615)	(8,473)	(17,211)
Net book amount	2,921	1,217	6,374	10,512

Notes to the Consolidated Financial Statements continued

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17. Leases

The Group leases properties (commercial office premises and retail properties), motor vehicles and equipment. The Group's leases are typically for fixed periods between 2 to 15 years and may include extension options. Lease terms are negotiated on an individual lease basis and may contain a wide range of different terms and conditions. None of the Group's lease agreements impose any covenants, however leased assets may not be used as security for borrowing purposes.

Payments made under operating leases, less any incentives received from the lessor, were previously charged to profit or loss on a straight-line basis over the period of the lease pursuant to the requirements of AASB 117. In applying AASB 16, a right-of-use asset representing the right to use the underlying asset and a corresponding lease liability representing the obligation to make lease payments are recognised at the date at which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability;
- any lease payments made in advance of the lease commencement date less any incentives received;
- any initial direct costs; and
- an estimate of any costs to dismantle and remove the asset at the end of the lease.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use assets for impairment when such indicators exist.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease where that rate is readily available or using the Group's incremental borrowing rate at the time the lease was entered into.

Lease payments included in the measurement of the lease liability consists of:

- fixed payments less any incentives receivable;
- variable payments based on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest incurred. The liability is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, a corresponding adjustment is made to the value of the right-of-use asset.

Deferred tax accounting

Lease payments are generally deductible whilst interest and depreciation expenses on these leases remain non-deductible. As a result, a net deferred tax asset has been recognised in relation to the temporary differences arising from the right-of-use assets and lease liabilities. The policy adopted for tax purposes is to recognise the deferred tax gross on the right-of-use assets and lease liability balances.

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:

- Properties Expected lease period
- Motor vehicles Contractual lease period
- Leased plant and equipment Contractual lease period

Key Assumption/Accounting Estimates

Extension and termination options are included in a number of the Group's property leases. The extension and termination options are exercisable only by the Group and not by the respective lessor. In determining the lease term, which forms part of the initial measurement of the right-of-use asset and lease liability, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the lease term, management considers all facts, circumstances and available options that create an economic incentive to exercise an extension option, or not exercise a termination option.

The following factors are normally the most relevant when assessing the extension options on the property lease:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvement are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease duration and the costs and business disruption required to replace the leased properties.

Most extension options in properties have been included in the lease liability because the Group could not replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or change in circumstances occurs, which affects this assessment and that is within the control of the lessee Group.

Right-of-use assets:

	Right-of-use			
	Right-of-use Properties \$'000	Motor vehicles \$'000	Right-of-use Equipment \$'000	Total \$'000
Year ended 30 June 2020				
Opening net book amount	54,191	994	40	55,225
Additions	2,093	588	-	2,681
Terminations	(303)	-	-	(303)
Remeasurement of lease modification	1,622	-	-	1,622
Depreciation charge	(6,930)	(697)	(21)	(7,648)
Exchange differences	(51)	(4)	(2)	(57)
Closing net book amount	50,622	881	17	51,520
At 30 June 2020				
Cost	78,233	2,650	83	80,966
Accumulated depreciation	(27,611)	(1,769)	(66)	(29,446)
Net book amount	50,622	881	17	51,520

Notes to the Consolidated Financial Statements continued

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17. Leases continued

	Right-of-use Properties \$'000	Right-of-use Motor vehicles \$'000	Right-of-use Equipment \$'000	Total \$'000
Year ended 30 June 2019				
Opening net book amount	67,951	793	59	68,803
Additions	2,492	728	-	3,220
Depreciation charge	(6,555)	(534)	(21)	(7,110)
Depreciation charge – discontinued operations	(683)	-	-	(683)
Assets classified as held for sale	(9,116)	-	-	(9,116)
Exchange differences	102	7	2	111
Closing net book amount	54,191	994	40	55,225
At 30 June 2019				
Cost	75,519	2,009	85	77,613
Accumulated depreciation	(21,328)	(1,015)	(45)	(22,388)
Net book amount	54,191	994	40	55,225

Lease Liabilities:

	2020 \$'000	2019 \$'000
Year ended 30 June		
Opening lease liabilities	63,713	77,067
Additions	2,681	3,220
Terminations	(331)	-
Remeasurement of lease modification	1,538	-
Lease payments	(8,320)	(7,638)
Lease payments – discontinued operations	-	(845)
Interest charge	1,848	2,073
Interest charge – discontinued operations	-	476
Liabilities classified as held for sale	-	(10,752)
Exchange differences	(158)	112
Closing lease liabilities	60,971	63,713
At 30 June		
Current lease liabilities	6,638	6,228
Non-current lease liabilities	54,333	57,485
Total lease liabilities	60,971	63,713

18. Intangible assets

Accounting Policy

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.

Computer software

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

Capitalised development costs are recorded as an 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 four to five years. Internally capitalised labour costs are treated as an investing cash outflow in the consolidated statement of cash flows.

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.

Brands and customer relationships

Acquired brands represent the value of brands in acquired subsidiaries and businesses that are separately fair valued at the date of acquisition from the remaining goodwill. Acquired brands are amortised over a 10-year period.

Acquired customer relationships have a finite useful life and are carried at fair value at acquisition date less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is between 7 to 12 years.

The following intangible assets have finite lives and are subject to amortisation on a straight-line basis. The useful lives for these assets are as follows:

- Computer software 3-5 years
- Brands 10 years
- Customer relationships 7-12 years
- Other (domain names and database) 5-10 years

	Goodwill \$'000	Computer Software \$'000	Brands and customer relationships \$'000	Other intangible assets* \$'000	Total \$'000
Year ended 30 June 2020					
Opening net book amount	490,069	33,933	76,208	409	600,619
Additions	-	170	-	3	173
Capitalised development costs	-	23,618	-	-	23,618
Disposals	(1,251)	(1,475)	-	-	(2,726)
Amortisation charge	-	(15,060)	(8,333)	(76)	(23,469)
Exchange differences	(11,185)	(4)	(2,191)	53	(13,327)
Closing net book amount	477,633	41,182	65,684	389	584,888
At 30 June 2020					
Cost	477,633	92,715	87,051	4,926	662,325
Accumulated amortisation and impairment	-	(51,533)	(21,367)	(4,537)	(77,437)
Net book amount	477,633	41,182	65,684	389	584,888

Notes to the Consolidated Financial Statements continued

30 June 2020

18. Intangible assets continued

	Goodwill \$'000	Computer Software \$'000	Brands and customer relationships \$'000	Other intangible assets* \$'000	Total \$'000
Year ended 30 June 2019					
Opening net book amount	541,998	28,975	87,552	430	658,955
Acquisition of subsidiaries	446	-	-	-	446
Additions	-	699	-	152	851
Capitalised development costs	-	20,725	-	-	20,725
Disposals	-	-	-	(10)	(10)
Amortisation charge	-	(12,353)	(7,699)	(85)	(20,137)
Amortisation charge – discontinued operations	-	(985)	(333)	-	(1,318)
Impairment – discontinued operations	(47,809)	-	-	-	(47,809)
Assets classified as held for sale	(10,888)	(3,890)	(4,100)	(75)	(18,953)
Exchange differences	6,322	762	788	(3)	7,869
Closing net book amount	490,069	33,933	76,208	409	600,619
At 30 June 2019					
Cost	537,878	70,948	89,977	4,943	703,746
Accumulated amortisation and impairment	(47,809)	(37,015)	(13,769)	(4,534)	(103,127)
Net book amount	490,069	33,933	76,208	409	600,619

* Other intangible assets include database, domain names and other.

(a) Impairment testing

Key Assumption/Accounting Estimates

Goodwill and intangible assets that have an indefinite useful life are allocated to a cash generating unit ('CGU') or a group of CGUs and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, which includes carsales' interests in associates. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Both value in use and fair value less cost to sell valuation methods have been employed in determining the recoverable amounts of CGUs. Both methods are predicated on cash flow projections which necessitates the adoption of assumptions and estimates.

The key assumptions and estimates used in management's calculations primarily relate to:

- five or ten-year cash flow forecasts sourced from internal budgets and long-term forecasts;
- terminal value growth rates applied to the period beyond the five to ten-year cash flow forecasts; and
- post-tax discount rates, used to discount the cash flows to present value.

The cash flow projections have been:

- derived from management forecasts based on next year's budgeted result, with the remaining years based on management forecasts: and
- compiled using a combination of past experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

Each of these assumptions and estimates are based on a 'best estimate' at the time of performing the valuation. However, increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount of CGUs to fall below their carrying amounts, resulting in an impairment loss being recognised.

Cash generating units

Goodwill is allocated to the Group's cash generating units (CGUs) which are then tested annually to determine whether they have suffered any impairment. 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).

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

	2020	2019
	\$'000	\$'000
Online Advertising Services Segment	72,076	72,076
Data, Research and Services Segment	15,941	15,941
– Mexico	3,595	5,478
– Chile	15,585	18,547
– Argentina	769	1,250
Latin America Segment	19,949	25,275
– South Korea	369,267	376,377
– RedBook International	400	400
Asia Segment	369,667	376,777
	477,633	490,069

Key assumptions

As well as management cash flow projections, other key assumptions for each significant CGU are detailed as follows:

CGU	Valuation method	Years of cash flow projection	Terminal growth rate		Post-tax discount rate	
			2020	2019	2020	2019
Online Advertising Services	Value in use	5	2.0%	2.5%	8.7%	9.4%
Data, Research and Services	Value in use	5	2.0%	2.5%	8.7%	9.4%
Chile	Value in use	5	3.0%	3.0%	9.0%	10.3%
South Korea	Fair value less costs to sell	10	2.5%	2.5%	10.4%	10.4%

Impact of reasonable possible changes in key assumptions

As part of management's impairment review for the period ended 30 June 2020, the carrying value of the Chile CGU was compared with a value in use discounted cash flow model. The model indicated no impairment is required. The model's cash flow projections are based on the Board approved budget for the next 5 years. The valuation outcome is sensitive to the underlying performance of the Chilean economy and management's ability to successfully introduce new products, increase prices and thereby increase yield. Management's cash flows assume that the business will recover from COVID-19 in early calendar year 2021. Depending on the duration of the COVID-19 pandemic and to what extent the business is affected in the medium to longer term, it may have an impact on the future cash flow growth assumptions applied to calculate recoverable amount. In the event that future EBITDA CAGR of at least five percent was not achieved over the forecast period, then that would result in an impairment of the Chile CGU.

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30 June 2020

18. Intangible assets continued

carsales also has goodwill related to CGUs in Mexico and Argentina where the businesses are currently loss making in line with management's expectations due to immature monetisation rates. These CGUs are forecast to be profitable in the future such that the carrying value of goodwill is supportable, however the recoverable amounts are close to the carrying amounts. Management has based its current estimates of future cash flows on the expectation that the businesses will recover from COVID-19 in early calendar year 2021. Depending on the duration of the COVID-19 pandemic and to what extent the businesses are affected in the medium to long term, it may result in impairment losses in future periods. We note goodwill for Mexico and Argentina is insignificant compared to total goodwill carried by the Group.

carsales will continue to assess the impact to the business should the COVID-19 pandemic extend beyond our current estimates and will update the appropriate assumptions for calculating the recoverable amounts as more clarity on the impact of COVID-19 is obtained.

The Directors and management have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amount of the Online Advertising Services, Data, Research and Services and South Korea CGUs to exceed its recoverable amount.

19. Payables and provisions

Accounting Policy

Payables

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

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related services. They 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that 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 high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments as well as other metrics set out in the Remuneration Report. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Deferred revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, agency commissions, trade allowances, rebates and amounts collected on behalf of third parties. Where services have not been provided but the Group is obligated to provide the services in the future, revenue recognition is deferred.

Trade and other payables

	2020 \$'000	2019 \$'000
Trade payables	6,053	5,893
Accrued expenses	19,067	21,019
Other payables	5,664	3,050
Total trade and other payables	30,784	29,962
Deferred revenue	8,759	9,441
Other payables – non-current	202	29
Provisions		
Employee benefits – current	7,112	6,815
Employee benefits – non-current	1,104	912
Total employee benefits	8,216	7,727

GROUP STRUCTURE

This section explains aspects of the group structure, such as our portfolio of associate accounted investments and acquisitions and how these have affected the financial position and performance of the Group.

20. Interests in other entities

(a) Material subsidiaries

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 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. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company.

Subsidiaries disposed of are de-consolidated from the date that control ceases.

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.

Non-controlling interests in the results and equity of subsidiaries are presented separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position respectively.

(ii) 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.

Notes to the Consolidated Financial Statements continued

30 June 2020

20. Interests in other entities continued

The Group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group *		Ownership interest held by non- controlling interests		Principal activities
		2020 %	2019 %	2020 %	2019 %	
Webpointclassifieds Pty Ltd	Australia	100.0	100.0	-	-	(1)
Equipment Research Group Pty Ltd	Australia	100.0	100.0	-	-	(2)
Discount Vehicles Australia Pty Ltd	Australia	100.0	100.0	-	-	(1)
Automotive Data Services Pty Ltd	Australia	100.0	100.0	-	-	(2)
Auto Information Limited	New Zealand	100.0	100.0	-	-	(2)
RedBook Automotive Services (M) Sdn Bhd	Malaysia	100.0	100.0	-	-	(2)
RedBook Automotive Data Services (Beijing) Limited	China	100.0	100.0	-	-	(2)
Automotive Data Services (Thailand) Company Limited	Thailand	100.0	100.0	-	-	(2)
tyresales Pty Ltd	Australia	75.0	75.0	25.0	25.0	(3)
Auto Exchange Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)
Automotive Exchange Pty Ltd	Australia	100.0	100.0	-	-	(1)
carsales.com Investments Pty Ltd	Australia	100.0	100.0	-	-	(4)
carsales Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)
carsales.com Ltd Employee Share Trust	Australia	100.0	100.0	-	-	(5)
carsales Finance Pty Ltd	Australia	100.0	100.0	-	-	(4)
Carconnect Pty Ltd**	Australia	-	50.1	-	49.9	(6)
Stratton Finance Pty Ltd**	Australia	-	50.1	-	49.9	(6)
Stratton Franchise Pty Ltd**	Australia	-	50.1	-	49.9	(6)
Stratton Marine And Outdoor Finance Pty Ltd**	Australia	-	43.8	-	56.2	(6)
RedBook Inspect Pty Ltd***	Australia	80.0	50.1	20.0	49.9	(7)
carsales Latam Pty Ltd	Australia	100.0	100.0	-	-	(4)
carsales Mexico SAPI de CV	Mexico	100.0	100.0	-	-	(1)
carsales Chile SpA	Chile	100.0	100.0	-	-	(4)
Chileautos SpA	Chile	100.0	100.0	-	-	(1)
carsales Foundation Pty Ltd	Australia	100.0	100.0	-	-	(8)
carsales Argentina Pty Ltd	Australia	100.0	100.0	-	-	(4)
Demotores Holdings LLC	United States of America	100.0	100.0	-	-	(4)
Demotores Chile SpA	Chile	100.0	100.0	-	-	(1)
Demotores S.A.	Argentina	100.0	100.0	-	-	(1)
ENCARSALES.COM Ltd****	South Korea	100.0	100.0	-	-	(1)
AS1 Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)
Appraisal Solutions Australia Pty Ltd***	Australia	100.0	60.0	-	40.0	(2)

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

** Stratton Finance Pty Ltd and its controlled entities have been disposed of during the year ended 30 June 2020. Refer Note 21 for details of the sale.

*** The Group has purchased a further stake in RedBook Inspect Pty Ltd and Appraisal Solutions Australia Pty Ltd during the year ended 30 June 2020. Refer Note 13 for details of the transactions.

**** SK ENCARSALES.COM Ltd was rebranded to ENCARSALES.COM Ltd during the year ended 30 June 2020.

Principal activities

- (1) Classified advertising.
- (2) Data and research.
- (3) Online retail.
- (4) Holding company.
- (5) Share trust company.
- (6) Finance and related services.
- (7) Vehicle inspection services.
- (8) Trustee company.

(b) Non-controlling interests (NCI) for continuing operations

Set out below is summarised financial information for each subsidiary that has non-controlling interests which are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

	tyresales \$'000	RedBook Inspect \$'000	Other ⁽¹⁾ \$'000
For the year ended 30 June 2020			
Summarised balance sheet			
Current assets	3,254	2,160	444
Non-current assets	1,424	2,474	3,000
Current liabilities	(6,436)	(3,163)	(325)
Non-current liabilities	-	(550)	-
Net assets	(1,758)	921	3,119
Accumulated NCI	(439)	177	-
Summarised statement of comprehensive income			
Profit/(loss) for the year	(1,218)	(621)	273
Other comprehensive income	-	-	23
Total comprehensive income	(1,218)	(621)	296
Profit/(loss) for the year allocated to NCI	(305)	(77)	(115)
Dividends paid to NCI	-	200	84
Summarised cash flows			
Cash flows from operating activities	520	3,006	214
Cash flows from investing activities	(373)	(967)	(3)
Cash flows from financing activities	-	(1,005)	(240)
Net increase/(decrease) in cash and cash equivalents	147	1,034	(29)

Notes to the Consolidated Financial Statements continued

30 June 2020

20. Interests in other entities continued

Restated* For the year ended 30 June 2019	tyresales \$'000	RedBook Inspect \$'000	Other⁽¹⁾ \$'000
Summarised balance sheet			
Current assets	3,523	2,744	989
Non-current assets	811	2,526	4,839
Current liabilities	(4,872)	(2,283)	(543)
Non-current liabilities	-	(1,044)	(331)
Net assets	(538)	1,943	4,954
Accumulated NCI	(134)	970	923
Summarised statement of comprehensive income			
Profit/(loss) for the year	(1,474)	1,036	(578)
Other comprehensive income	-	-	105
Total comprehensive income	(1,474)	1,036	(473)
Profit/(loss) for the year allocated to NCI	(368)	517	(179)
Dividends paid to NCI	-	674	121
Summarised cash flows			
Cash flows from operating activities	479	2,999	(458)
Cash flows from investing activities	8	(1,595)	(56)
Cash flows from financing activities	-	(1,455)	(304)
Net increase/(decrease) in cash and cash equivalents	487	(51)	(818)

(1) 'Other' represents other individually immaterial non-controlling interests.

* See Note 31 for details about restatement as a result of changes in accounting policies.

(c) Interests in associates

Accounting Policy

Associates are all entities over which the Group has significant influence but no 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. Acquisition-related costs of acquiring an interest in an associate 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.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group recognises the loss as share of profit of an associate or joint venture in the Consolidated Statement of Comprehensive Income.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method
		2020 %	2019 %		
Webmotors S.A.	Brazil	30.0	30.0	Associate	Equity method
RateSetter Australia Pty Ltd ⁽¹⁾	Australia	-	16.7	Associate	Equity method
Skedgo Pty Ltd	Australia	20.0	20.0	Associate	Equity method

Name of entity	Quoted fair value		Carrying amount		Share of Profit/(loss)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Webmotors S.A.	-	-	48,842	64,626	5,114	5,150
RateSetter Australia Pty Ltd ⁽¹⁾	-	-	-	9,533	(783)	(1,875)
Skedgo Pty Ltd	-	-	2,355	2,509	(154)	(151)
Total equity accounted investments	-	-	51,197	76,668	4,177	3,124

(1) During the year, the Group's interest in RateSetter ceased being an associate and was classified as a financial asset at fair value through other comprehensive income. This occurred as a result of the sale of Stratton Finance Pty Ltd and given Stratton's previous interest in RateSetter. Refer Note 20(d).

(i) Movement in the carrying amount of significant equity accounted investments

	Webmotors S.A.	
	2020 \$'000	2019 \$'000
Carrying amount at 1 July	64,626	58,810
Profit for the year	5,604	5,697
Amortisation of intangibles	(490)	(547)
Foreign exchange impacts – other comprehensive income	(16,674)	2,967
Dividends receivable/received	(4,224)	(2,301)
Carrying amount at 30 June	48,842	64,626

Notes to the Consolidated Financial Statements continued

30 June 2020

20. Interests in other entities continued

(ii) Summarised financial information for significant associates

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Company's share of those amounts.

	Webmotors S.A.	
	30 June 2020 \$'000	30 June 2019 \$'000
Total current assets	37,713	42,121
Total non-current assets	34,207	31,207
Total current liabilities	(18,098)	(11,708)
Total non-current liabilities	(2,950)	-
Net assets	50,872	61,620
Group's share in %	30%	30%
Group's share in \$	15,262	18,486
Goodwill	29,750	40,277
Acquired intangibles	3,830	5,863
Carrying amount	48,842	64,626
Revenue	74,551	67,779
Profit from continuing operations	18,679	18,989
Other comprehensive income	-	-
Total comprehensive income	18,679	18,989
carsales' share		
Profit from continuing operations	5,114	5,150
Foreign exchange impacts – other comprehensive income	(16,674)	2,967
Total comprehensive income	(11,560)	8,117
Dividends receivable/received from associates and joint venture entities	4,224	2,301

(iii) Impairment of associates

Key Assumption/Accounting Estimates

The Group assesses impairment of investments in associates where there is objective evidence that the carrying value of the investment may exceed its recoverable amount. The recoverable amount of an investment is the higher of its fair value less costs of disposal and its value in use. The determination of recoverable amount requires the estimation and discounting of future cash flows. These estimates include establishing forecasts of future financial performance, discount rates and terminal growth rates. Each of these is based on a 'best estimate' at the time of performing the valuation. However, increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount of investments to fall below their carrying amounts, resulting in an impairment loss being recognised.

Under Australian accounting standards, there is no requirement to annually test for impairment in relation to carsales' equity held associate investments. Instead the Company is required to consider whether there are any triggers for impairment in relation to these investments. Considering the COVID-19 crisis and the subsequent decline of the economy in Brazil in FY20, management determined that indicators of impairment existed at 30 June 2020. As such, management has performed an impairment assessment with respect to the carrying value of the equity accounted investment in Webmotors. This review was performed using a value in use cash flow model.

This model was prepared on the same basis as the impairment testing models used for CGUs which carry goodwill (refer to Note 18) and incorporates cash flow projections based on management's forecasts for the next 5 years. A terminal growth rate beyond the 5-year period of 3.3% and a post-tax discount rate of 12.2% has been used in the model.

Impact of possible changes in key assumptions

The Directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

(iv) Contingent liabilities in respect of associates

	2020 \$'000	2019 \$'000
Contingent liabilities – associates		
Contingent liabilities relating to liabilities of the associates for which the Company is severally liable	211	344

(v) Associate investment dilution

	2020 \$'000	2019 \$'000
Gain on associate investment dilution	-	2,069

(d) Financial assets at fair value through other comprehensive income

Accounting Policy

Investments are designated as financial assets at fair value through other comprehensive income if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. The Group has irrevocably elected to account for investments which are not held for trading at fair value through other comprehensive income. These are strategic investments and the Group considers this classification to be more relevant. Financial assets that are carried at fair value are measured by the fair value measurement hierarchy referred to in Note 10.

On disposal of these equity investments, any related balance with the FVOCI reserve is reclassified to retained earnings.

Key Assumption/Accounting Estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Refer to Note 10 for details of the valuation techniques used to value the investments.

Name of entity	% of ownership		Carrying amount	
	2020 %	2019 %	2020 \$'000	2019 \$'000
Quoted financial assets				
iCar Asia Limited	11.7	11.8	13,601	9,766
Unquoted financial assets				
RateSetter Australia Pty Ltd	12.5	-	19,062	-
PromisePay Pte Ltd	7.3	7.3	2,727	7,253
Other equity investments	N/A	N/A	5,328	2,886
Total financial assets at fair value through other comprehensive income			40,718	19,905

Notes to the Consolidated Financial Statements continued

30 June 2020

20. Interests in other entities continued

	2020 \$'000	2019 \$'000
At 1 July	19,905	19,797
Transfer from equity accounted associates	14,410	-
Acquisition of financial assets at fair value through other comprehensive income	2,394	1,676
Exchange differences recognised through other comprehensive income	42	66
Gain/(loss) recognised through other comprehensive income	3,967	(1,634)
At 30 June	40,718	19,905

(i) RateSetter

The Group previously accounted for its investment in RateSetter (both carsales and Stratton had an 8.3% interest in RateSetter) using the equity method. The Group made a strategic decision in December 2019 to relinquish control over the right to a RateSetter Board seat, thereby losing the right to exert significant influence over the business.

Pursuant to this change, the Group ceased equity accounting for RateSetter and in accordance with accounting standards the Group was required to fair value the investment at that point, resulting in the recognition of a \$9.8 million gain in profit or loss. Refer Note 10 for details of the valuation techniques used to value the investments.

Stratton's 8.3% interest in RateSetter was distributed to its shareholders by way of a dividend of \$9.6 million during the period, of which \$4.8 million was paid to NCI. From that point onwards, the Group made an irrevocable election to recognise the investment as a financial asset at fair value through other comprehensive income. Refer to Note 10 for the valuation approach for this asset.

(ii) PromisePay

Following a business restructure during the year, the Group reviewed the valuation of its interest in PromisePay Pte Ltd. Refer to Note 10 for details of the valuation approach.

21. Discontinued operations

On 30 April 2020, the Group sold its 50.1% interest in Stratton Finance Pty Ltd ('Stratton') for a consideration of \$7.0 million. This resulted in a loss of \$1.2 million, after deducting the net assets and transaction costs. The loss on the sale of the discontinued operations is included in the discontinued operations of the Group, net of related tax.

Stratton was classified as a discontinued operation and presented as a current asset in the Consolidated Statement of Financial Position from June 2019 until the sale was finalised in April 2020.

As the sale process had not been finalised as at 31 December 2019, the carrying value of the Stratton disposal group was determined using the lower of the existing carrying value and the fair value less costs to sell method pursuant to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The carrying value exceeded the fair value of consideration expected to be received at the time and the Group recognised a non-cash impairment charge of \$4.5 million in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2020.

(a) Financial performance and cash flow information

The financial performance and cash flow information are for the 10 months ended 30 April 2020 and the year ended 30 June 2019.

	April 2020 \$'000	*Restated 2019 \$'000
Revenue from contracts with customers	36,478	57,030
Expenses		
Cost of sales	(8,493)	(16,625)
Other expenses	(26,524)	(37,194)
Depreciation and amortisation expenses	-	(2,339)
Net finance costs	(510)	(681)
Impairment loss	(4,450)	(47,809)
Loss on sale of the subsidiary before income tax (see (b) below)	(1,204)	-
Loss before income tax	(4,703)	(47,618)
Income tax expense	(179)	(314)
Loss after income tax	(4,882)	(47,932)
Less: non-controlling interests	(393)	(145)
Loss after income tax from discontinued operations	(5,275)	(48,077)
Net cash (outflow)/inflow from operating activities	(3,157)	4,412
Net cash outflow from investing activities	(1,065)	(965)
Net cash outflow from financing activities	(579)	(650)
Net (decrease)/increase in cash	(4,801)	2,797
Cash and cash equivalents at the beginning of the financial year	9,021	6,224
Cash and cash equivalents at the end of the period/financial year	4,220	9,021

* See Note 31 for details about restatements as a result of changes in accounting policies.

The discontinued operations have been presented on a standalone basis including intercompany transactions with the continuing Group.

Non-current assets (or disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(b) Details of the sale of the subsidiary

	2020 \$'000
Cash consideration received	7,000
Less: transaction costs relating to the sale	(1,352)
Less: carrying amount of net assets sold	(8,215)
Add: non-controlling interests	1,363
Loss on sale before income tax	(1,204)
Income tax expense	-
Loss on sale after income tax	(1,204)

Notes to the Consolidated Financial Statements continued

30 June 2020

21. Discontinued operations continued

The major classes of assets and liabilities of the Stratton operations as at Disposal Date were as follows:

	30 April 2020 \$'000
Current assets	
Cash and cash equivalents	4,220
Trade and other receivables	2,453
Inventories	922
Total current assets	7,595
Non-current assets	
Property, plant and equipment	2,853
Right-of-use assets	8,771
Computer software and other intangible assets	4,160
Brands	4,100
Goodwill	6,439
Total non-current assets	26,323
Total assets	33,918
Current liabilities	
Trade and other payables	8,620
Borrowings	330
Lease liabilities	423
Current tax liabilities	312
Deferred revenue	177
Provisions	1,106
Total current liabilities	10,968
Non-current liabilities	
Borrowings	4,478
Lease liabilities	9,975
Provisions	282
Total non-current liabilities	14,735
Total liabilities	25,703
Net assets directly associated with disposal group	8,215

(c) Assets and liabilities of disposal group classified as held for sale in the prior year

In the prior comparative period, the Group classified its Stratton operations as a current asset held for sale. Stratton's results of a \$47.9 million* loss was disclosed as discontinued operations in the prior comparative period in the Consolidated Statement of Comprehensive Income while assets classified as held for sale of \$45.7 million* and liabilities associated with the held for sale assets of \$33.7 million* were presented as current in the Consolidated Statement of Financial Position. Refer to the 30 June 2019 financial statements for details of the results of Stratton for 2019 and the assets and liabilities classified as held for sale at 30 June 2019.

* See Note 31 for details about restatements as a result of changes in accounting policies.

22. Parent entity financial information

Accounting Policy

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

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 to Note 18 for details of impairment accounting policies.

(a) Summary financial information

	2020 \$'000	*Restated 2019 \$'000
Balance sheet		
Current assets	163,884	93,338
Non-current assets	999,741	969,446
Total assets	1,163,625	1,062,784
Current liabilities	202,928	198,334
Non-current liabilities	671,187	607,304
Total liabilities	874,115	805,638
<i>Shareholders' equity</i>		
Issued capital	149,817	135,372
Reserves	8,381	2,847
Retained earnings	131,312	118,927
Total equity	289,510	257,146
Profit for the year	127,529	69,325
Total comprehensive income	128,987	55,803

* See Note 31 for details about restatements as a result of changes in accounting policies.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

Notes to the Consolidated Financial Statements continued

30 June 2020

23. Deed of cross guarantee

The following controlled entities have entered into a Deed of Cross Guarantee:

Company	Financial year entered into agreement
carsales.com Ltd	30 June 2015
carsales Holdings Pty Ltd	30 June 2015
carsales Finance Pty Ltd	30 June 2015
Auto Exchange Holdings Pty Ltd	30 June 2015
Automotive Data Services Pty Ltd	30 June 2015
carsales.com Investments Pty Ltd	30 June 2015
Discount Vehicles Australia Pty Ltd	30 June 2015
Equipment Research Group Pty Ltd	30 June 2015
Webpointclassifieds Pty Ltd	30 June 2015
carsales Latam Pty Ltd	30 June 2016
carsales Foundation Pty Ltd	30 June 2016
carsales Argentina Pty Ltd	30 June 2017
Automotive Exchange Pty Ltd	30 June 2018
AS1 Holdings Pty Ltd	30 June 2018

The companies that are party to this deed guarantee the debts of the others and represent the 'Closed Group' from the date of entering into the agreement.

These wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income

Set out below is a consolidated statement of comprehensive income for the year ended 30 June 2020 of the Closed Group.

	2020 \$'000	*Restated 2019 \$'000
Consolidated statement of comprehensive income		
Revenue from continuing operations		
Revenue from contracts with customers	274,071	301,480
Revenue from continuing operations	274,071	301,480
Expenses		
Costs of sale	(4,373)	(4,729)
Sales and marketing expenses	(48,323)	(57,946)
Service development and maintenance	(20,097)	(21,094)
Operations and administration	(36,569)	(35,107)
Earnings before interest, taxes, depreciation and amortisation	164,709	182,604
Depreciation and amortisation expense	(19,694)	(16,469)
Finance income	1,264	1,773
Finance costs	(14,722)	(16,802)
Changes in fair value of put options	7,228	11,253
Dividends income	43,848	4,054
Impairment loss	(4,450)	(47,809)
Fair value gain arising from discontinuing the equity method	5,217	-
Loss on disposal of subsidiaries	(1,675)	-
Profit before income tax	181,725	118,604
Income tax expense	(43,629)	(43,391)
Profit from continuing operations	138,096	75,213
Total comprehensive income for the year	139,553	61,741

* See Note 31 for details about restatements as a result of changes in accounting policies.

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2020 of the Closed Group.

	2020 \$'000	*Restated 2019 \$'000
Consolidated statement of financial position		
Current assets		
Cash and cash equivalents	138,327	45,094
Trade and other receivables	51,493	53,713
Total current assets	189,820	98,807
Non-current assets		
Investments accounted for using the equity method	527,516	542,868
Financial assets at fair value through other comprehensive income	40,718	19,905
Property, plant and equipment	6,216	2,248
Right-of-use assets	45,792	47,517
Deferred tax assets	12,414	11,741
Intangible assets	114,299	113,292
Other receivables	12,197	6,429
Total non-current assets	759,152	744,000
Total assets	948,972	842,807
Current liabilities		
Trade and other payables	17,080	20,005
Lease liabilities	3,390	2,886
Current tax liabilities	12,104	2,690
Provisions	6,425	6,283
Deferred revenue	2,755	3,398
Total current liabilities	41,754	35,262
Non-current liabilities		
Trade and other payables	21,171	20,645
Borrowings	543,910	473,798
Lease liabilities	51,499	52,717
Other financial liabilities	-	9,538
Derivative liabilities	14,179	17,445
Provisions	984	912
Total non-current liabilities	631,743	575,055
Total liabilities	673,497	610,317
Net assets	275,475	232,490
Equity		
Contributed equity	149,817	135,372
Reserves	(17,699)	(23,439)
Retained earnings	143,357	120,557
Total equity	275,475	232,490

* See Note 31 for details about restatements as a result of changes in accounting policies.

Notes to the Consolidated Financial Statements continued

30 June 2020

24. Related party transactions

The Group has identified the parties it considers to be related and the transactions conducted with those parties. Other than those disclosed below, no other related party transactions have been identified.

(a) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(b) Key Management Personnel compensation

	2020 \$	2019* \$
Short-term employee benefits	5,799,738	6,230,081
Deferred short-term employee benefits	196,598	380,962
Post-employment benefits	182,860	194,461
Long-term employment benefits	63,177	85,505
Share-based payments	913,291	(16,990)
	7,155,664	6,874,019

* Former Executives and Directors who ceased employment with carsales during FY19 are included in the table above. Refer to FY19 Remuneration Report for details.

(c) Transactions with other related parties

The following transactions occurred with related parties, the nature of which are described in the Remuneration Report.

	2020 \$	2019 \$
Sale of goods and services to related parties	970,380	1,376,300
Purchase of goods and services from related parties	883,584	1,595,639

All transactions were made on normal commercial terms and conditions, at market rates and includes transactions with associates.

(d) Outstanding balances arising from sale/purchases of goods and services

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

	2020 \$	2019 \$
Current receivables (sale of goods and services)		
Other related parties	124,675	150,500
Current payables (purchase of goods and services)		
Other related parties	14,008	406,474

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

ITEMS NOT RECOGNISED

This section of the notes provides information about material items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

25. Commitments

Non-cancellable operating leases

The Group leases offices in a number of locations in Australia and around the world. The most significant of these leases is the Melbourne global head office where the lease is a non-cancellable lease expiring in September 2024. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group also leases various motor vehicles and printers under non-cancellable leases.

From 1 July 2019, the Group has recognised right-of-use assets for these leases and restated prior year balances under a fully retrospective approach, see Note 17 and Note 31 for further information on adoption of AASB 16 Leases.

Bank guarantee facility

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are \$2.4 million (2019: \$4.6 million).

Other commitments

The Group has other contractual commitments of \$7.4 million at 30 June 2020 (2019: \$9.1 million).

26. Contingent liabilities

The Group and the parent entity from time to time may incur obligations arising from litigation or other contracts entered into in the normal course of business. Neither the Group nor the parent entity have any material contingent liabilities where the probability of outflow in any settlement is greater than remote as at 30 June 2020 or 30 June 2019 other than the associates contingent liabilities as set out in Note 20(c).

27. Events occurring after the reporting period

On 5 July 2020 carsales.com Ltd successfully completed a refinance of Tranche A of its syndicated revolving loan facilities. Pursuant to this refinance, the Company upsized its existing Tranche A by a further \$105.0 million, bringing it to a \$440.0 million facility, and extended the tenor out to 5 July 2024.

Facility	New Commitment \$'000	Drawn at report release date \$'000	New maturity date
Tranche A	440,000	335,000	5 July 2024
Tranche B	210,000	210,000	4 July 2023
Total	650,000	545,000	

As part of the refinance, Commonwealth Bank of Australia ("CBA") has joined the existing banking syndicate, entering into a bilateral facility agreement with the Company under the Common Terms Deed documentation structure. Borrowings under the debt facilities bear interest at a floating rate of BBSY Bid plus a margin, with margin based on a net leverage ratio of the Group, consistent with the previous facility.

Further, subsequent to year end, two swaps having a maturity of three years (which were due to terminate in July 2021) were closed out and the average notional amount is now \$210.0 million.

Aside from the above, no matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Notes to the Consolidated Financial Statements continued

30 June 2020

OTHER

This section provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered critical in understanding the financial performance or position of the Group.

28. 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 Australia

	2020 \$	2019 \$
Audit and other assurance services		
Audit and review of Financial Reports	614,052	583,263
Due diligence services	223,000	31,620
Total remuneration for audit and other assurance services	837,052	614,883
Taxation services		
Tax compliance services, including review of Company income tax returns	103,717	98,960
Tax consulting and tax advice on mergers and acquisitions	130,932	122,585
Total remuneration for taxation services	234,649	221,545
Other services		
Other services	68,512	30,553
Total remuneration for other services	68,512	30,553
Total remuneration of PricewaterhouseCoopers Australia	1,140,213	866,981

(b) Network firms of PricewaterhouseCoopers Australia

Audit and other assurance services		
Audit and review of Financial Reports	164,111	129,902
Total remuneration for audit and other assurance services	164,111	129,902
Taxation services		
Tax compliance services, including review of Company income tax returns	26,339	-
Total remuneration for taxation services	26,339	-
Total remuneration of network firms of PricewaterhouseCoopers Australia	190,450	129,902
Total remuneration for PricewaterhouseCoopers	1,330,663	996,883

(c) Non-PwC audit firms

Audit and review of Financial Reports	30,802	33,297
Tax compliance services	779	-
Total remuneration for Non-PwC audit firms	31,581	33,297
Total auditors' remuneration	1,362,244	1,030,180

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.

29. Share-based payments

Share-based compensation benefits are provided to employees via the carsales.com Ltd Employee Option Plan.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were \$3,480,000 (2019: income \$21,000).

Employee Option Plan

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

2020

Grant date	Expiry date	Exercise price	Opening Balance	Granted during the year	Exercised during the year	Expired or lapsed during the year	Closing balance	Vested and exercisable at 30 June
Options								
Oct 2014	Oct 2019	\$10.71	24,667	-	(22,814)	(1,853)	-	-
Oct 2015	Oct 2020	\$10.24	217,021	-	(168,369)	(3,042)	45,610	45,610
Oct 2016	Oct 2031	\$12.23	631,658	-	(206,390)	(207,158)	218,110	218,110
Oct 2017	Oct 2032	\$11.41	311,432	-	-	(15,442)	295,990	-
Oct 2018	Aug 2033	\$14.87	495,204	-	-	(49,672)	445,532	-
Oct 2019	Oct 2034	\$13.54	-	139,245	-	-	139,245	-
Total options			1,679,982	139,245	(397,573)	(277,167)	1,144,487	263,720
Weighted average exercise price			\$12.58	\$13.54	\$11.30	\$12.63	\$13.13	\$11.89
Performance rights								
Oct 2016	Oct 2031	\$0.00	123,076	-	(73,801)	(49,275)	-	-
Aug 2017	Aug 2019	\$0.00	48,448	-	(48,448)	-	-	-
Oct 2017	Oct 2032	\$0.00	196,000	-	-	(9,719)	186,281	-
Oct 2018	Aug 2033	\$0.00	177,157	-	-	(17,770)	159,387	-
Feb 2019	Feb 2034	\$0.00	16,706	-	(16,706)	-	-	-
Aug 2019	Aug 2034	\$0.00	-	21,260	-	(1,476)	19,784	-
Oct 2019	Oct 2034	\$0.00	-	82,335	-	-	82,335	-
Total performance rights			561,387	103,595	(138,955)	(78,240)	447,787	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total of plan			2,241,369	242,840	(536,528)	(355,407)	1,592,274	263,720
Weighted average exercise price			\$9.43	\$7.76	\$8.37	\$9.85	\$9.43	\$11.89

Notes to the Consolidated Financial Statements continued

30 June 2020

29. Share-based payments continued

2019

Grant date	Expiry date	Exercise price	Opening Balance	Granted during the year	Exercised during the year	Expired or lapsed during the year	Closing balance	Vested and exercisable at 30 June
Options								
Oct 2013	Oct 2018	\$9.10	32,272	-	(29,929)	(2,343)	-	-
Oct 2014	Oct 2019	\$10.71	27,448	-	(2,225)	(556)	24,667	24,667
Oct 2015	Oct 2020	\$10.24	566,926	-	(205,079)	(144,826)	217,021	215,500
Oct 2016	Oct 2031	\$12.23	865,916	-	-	(234,258)	631,658	-
Oct 2017	Oct 2032	\$11.41	364,674	-	-	(53,242)	311,432	-
Oct 2018	Aug 2033	\$14.87	-	499,152	-	(3,948)	495,204	-
Total options			1,857,236	499,152	(237,233)	(439,173)	1,679,982	240,167
Weighted average exercise price			\$11.38	\$14.87	\$10.10	\$11.48	\$12.58	\$10.29
Performance rights								
Oct 2015	Oct 2020	\$0.00	121,467	-	(91,894)	(29,573)	-	-
Oct 2016	Oct 2031	\$0.00	211,702	-	(32,796)	(55,830)	123,076	-
Aug 2017	Aug 2019	\$0.00	-	48,448	-	-	48,448	-
Oct 2017	Oct 2032	\$0.00	229,506	-	-	(33,506)	196,000	-
Oct 2018	Aug 2033	\$0.00	-	178,569	-	(1,412)	177,157	-
Feb 2019	Feb 2034	\$0.00	-	16,706	-	-	16,706	16,706
Total performance rights			562,675	243,723	(124,690)	(120,321)	561,387	16,706
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total of plan			2,419,911	742,875	(361,923)	(559,494)	2,241,369	256,873
Weighted average exercise price			\$8.74	\$9.99	\$6.62	\$9.01	\$9.43	\$9.62

The estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2020 is estimated to be approximately \$16.07 (2019: approximately \$14.27).

The weighted average remaining contractual life of share options outstanding at the end of the period was 12.68 years (2019: 10.37 years).

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. Senior Executives' vesting conditions, including EPS targets, are noted in the Remuneration Report on page 40.

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 right is convertible into one ordinary share for \$0.00 exercise price, upon satisfaction of all vesting requirements.

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2020 is \$3.43 (2019: \$1.53). The assessed fair value at grant date of performance rights granted during the year ended 30 June 2020 is \$13.80 (2019: \$10.93).

The model inputs for options and performance rights granted during the year ended 30 June 2020 included:

	Options		Performance rights	
	2020	2019	2020	2019
Exercise price	\$13.54	\$14.87	\$0.00	\$0.00
Grant date	Oct 2019	Oct 2018	Aug 2019, Oct 2019	Oct 2018
Expiry date	Oct 2034	Aug 2033	Aug 2034, Oct 2034	Aug 2033
Share price at grant date	\$15.75	\$12.36	\$14.77, \$15.75	\$12.36
Expected price volatility of the Company's shares	29.1%	27.9%	29.1%	27.9%
Expected dividend yield	3.3%	3.2%	3.3%	3.2%
Risk-free interest rate	0.8%	2.5%	0.7%	2.5%

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

30. Other significant accounting policies

(a) 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 been restated for 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); and
- 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.

Notes to the Consolidated Financial Statements continued

30 June 2020

30. Other significant accounting policies continued

(b) 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.

(c) New and amended Accounting Standards and Interpretations

(i) New and amended Accounting Standards and Interpretations issued and effective

Refer to Note 31 for the new Accounting Standards and Interpretations which became effective from 1 July 2019 and the corresponding impact of those changes on the Group's financial results. Apart from these changes, the Group has not adopted any new or amended Accounting Standards and Interpretations this year that have had a material impact on the Group or the Company.

(ii) Accounting standards and Interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

31. Changes in accounting policies

AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 and a corresponding asset to reflect the right-of-use of these lease items, with the exception of short-term or low-value leases with payments recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value leases comprise small items of office and IT related equipment.

Approach on adoption

The Group adopted AASB 16 under the fully retrospective approach, where comparatives have been restated. The opening consolidated statement of financial position as at 1 July 2018 has been restated, as well as the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows for the applicable comparative periods. The new accounting policies are disclosed in Note 17.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and *Interpretation 4 Determining whether an Arrangement contains a Lease*.

(a) Measurement of lease liabilities

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of AASB 117. Lease liabilities were measured at the present value of the remaining lease payments over the lease term inclusive of option extension periods where it was reasonably certain to be exercised, discounted using the Company’s incremental borrowing rate as of the inception of the lease.

	30 June 2019
	\$'000
Operating lease commitments disclosed as at 30 June 2019	32,820
Add: adjustment as a result of different treatment of extension options on existing lease agreements	61,208
Less: short-term leases recognised on a straight-line basis as expenses	(78)
Total operating lease commitments subject to AASB 16 adoption at 30 June 2019	93,950
Discounted using the lessee’s incremental borrowing rate	74,464
Less: lease liabilities forming part of the disposal group classified as held for sale	(10,751)
Lease liabilities from continuing operations as at 1 July 2019	63,713
Of which are:	
Current lease liabilities	6,228
Non-current lease liabilities	57,485
	63,713

(b) Measurement of right-of-use assets

The associated right-of-use assets are measured on transition as if the accounting standards had always been applied since the inception of the lease, with the right-of-use assets depreciated since lease inception.

The right-of-use assets relate to the following type of assets:

	30 June 2020	30 June 2019
	\$'000	\$'000
Properties	50,622	54,191
Equipment	17	40
Motor vehicles	881	994
Total right-of-use assets	51,520	55,225

(c) Impact on the financial statements

The adoption of AASB 16 has had the following impact on the current financial year when compared with the treatment of leases under AASB 117:

- net increase in EBITDA from continuing operations of \$8.4 million; and
- net decrease in net profit after tax from continuing operations of \$0.6 million.

The Group has applied AASB 16 retrospectively without using the simplified transitional approach permitted under AASB 16. The tables below show the adjustments recognised for each individual line item as at 1 July 2018 and 30 June 2019. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Notes to the Consolidated Financial Statements continued

30 June 2020

31. Changes in accounting policies continued

	1 July 2018 As originally presented \$'000	Adoption of AASB 16 \$'000	1 July 2018 Restated \$'000
Consolidated statement of financial position			
Right-of-use assets	-	68,803	68,803
Deferred tax assets	9,415	2,440	11,855
Trade and other payables	50,226	(90)	50,136
Lease liabilities (current)	-	3,300	3,300
Lease liabilities (non-current)	-	73,767	73,767
Retained earnings	232,289	(5,310)	226,979
Non-controlling interests	6,002	(424)	5,578

	30 June 2019 As originally presented \$'000	Adoption of AASB 16 \$'000	30 June 2019 Restated \$'000
Consolidated statement of comprehensive income – continuing operations for the year ended			
Operating expenses	(178,577)	7,638	(170,939)
EBITDA	205,226	7,638	212,864
Depreciation and amortisation	(24,284)	(7,110)	(31,394)
Net finance costs	(13,855)	(2,073)	(15,928)
Profit before tax	183,533	(1,545)	181,988
Income tax expense	(50,204)	381	(49,823)
Net result after tax from discontinued operations (attributable to the equity holders of the Company)	(47,712)	(220)	(47,932)
<i>Basic earnings per share (continuing operations)</i>	54.7	(0.5)	54.2
<i>Diluted earnings per share (continuing operations)</i>	54.6	(0.5)	54.1

	30 June 2019 As originally presented \$'000	Adoption of AASB 16 \$'000	30 June 2019 Restated \$'000
Consolidated statement of financial position			
Right-of-use assets	-	55,225	55,225
Deferred tax assets	16,123	2,424	18,547
Assets classified as held for sale	36,060	9,607	45,667
Lease liabilities (current)	-	6,228	6,228
Lease liabilities (non-current)	-	57,485	57,485
Liabilities directly associated with assets classified as held for sale	23,002	10,661	33,663
Retained earnings	209,934	(6,573)	203,361
Non-controlling interests	6,068	(545)	5,523

	30 June 2019 As originally presented \$'000	Adoption of AASB 16 \$'000	30 June 2019 Restated \$'000
Consolidated statement of cash flows			
<i>Operating activities</i>			
Payments to suppliers and employees (including GST)	(310,572)	8,483	(302,089)
<i>Financing activities</i>			
Principal elements of lease payments	-	(5,934)	(5,934)
Interest paid	(16,395)	(2,549)	(18,944)

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 68 to 138 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 2020 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.

The basis of preparation 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 CEO, and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.



Cameron McIntyre
Managing Director and CEO

Melbourne
18 August 2020

Independent auditor's report



Independent auditor's report

To the members of carsales.com Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of carsales.com Limited (the Company) and its controlled entities (together the Group) is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall materiality of \$8.6 million, which represents approximately 5% of the Group's profit before income tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before income tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
- We selected a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable profit related thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- carsales.com Limited operates across five reporting segments, being Online Advertising Services, Data, Research and Services, Latin America, Asia and Finance and Related Services (discontinued operation), as described in note 1 of the financial report. Its head office function is based in Melbourne, Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Independent auditor's report *continued*



Key audit matter

Carrying value of goodwill for South Korea and Chile

(Refer to note 18 Intangible assets)

The Group's intangible assets included \$477.6 million of goodwill at 30 June 2020, of which \$369.3 million related to the South Korea cash generating unit (CGU) and \$15.6 million related to the Chile CGU. Goodwill was required to be tested for impairment in accordance with Australian Accounting Standards.

In order to test for impairment of goodwill, the Group prepared impairment models which forecast cash flows, discounted to their present value. The valuation method used to test for impairment was fair value less costs to sell for South Korea and value in use for Chile.

The carrying value of goodwill for the South Korea CGU was a key audit matter given it was significant to the Group and there were judgements and assumptions involved in estimating the cash flow forecasts and other key assumptions, particularly discount rate and terminal growth rate. We had particular focus on the carrying value of goodwill for the Chile CGU as the impairment model was sensitive to the impact of reasonable possible changes in key assumptions related to the five year cash flow forecast.

How our audit addressed the key audit matter

We performed the following procedures, amongst others:

- Tested the mathematical accuracy of the calculations made in the impairment models.
- Compared the forecast cash flows used in the impairment models with the FY21 budgets.
- Assessed the historical accuracy of the Group's cash flow forecasts by comparing prior budgets to actual performance.
- Assessed the reasonableness and supportability of the cash flow forecasts by considering the key factors upon which they were based and the underlying drivers for growth.
- Compared growth rate assumptions used in the impairment models to historical results and economic and industry forecasts.
- Assessed the allocation of assets and liabilities to the CGUs.
- For the South Korean CGU, we considered whether it would be possible to determine a reliable estimate of the amount obtainable in an arm's length transaction between knowledgeable and willing parties, by determining fair value less costs to sell.
- With the assistance of our internal valuation experts, we assessed the discount rates and terminal growth rates used in the impairment models by comparing them to market data, comparable companies and industry research.
- We evaluated sensitivity analyses and noted that the recoverable amount of the Chile CGU was sensitive to the impact of reasonable possible changes in key assumptions related to the five year cash flow forecast.
- We considered the disclosures made in note 18, in light of the requirements of Australian Accounting Standards.



Key audit matter**How our audit addressed the key audit matter**

Carrying value of equity accounted investment in Webmotors S.A.

(Refer to note 20 (c) Interests in associates)

The Group's investments accounted for using the equity method included a \$48.8 million investment in Webmotors S.A. at 30 June 2020. The investment was tested for impairment given there was an impairment indicator, being the COVID-19 pandemic and its impact on the Brazilian economy.

In order to assess recoverability of the investment in Webmotors S.A., the Group prepared a value in use impairment model and compared the recoverable amount to the carrying value of the investment. The conclusion reached was the investment was not impaired.

The assessment of the carrying value of the investment in Webmotors S.A. was a key audit matter given it was significant to the Group and there were judgements and assumptions involved in estimating the cash flow forecasts and other key assumptions, particularly discount rate and terminal growth rate.

We performed the following procedures, amongst others:

- Evaluated management's assessment of the indicators of impairment.
- Tested the mathematical accuracy of the calculations made in the impairment model.
- Compared the forecast cash flows used in the impairment model with the FY21 budget.
- Assessed the historical accuracy of the Group's cash flow forecasts by comparing prior budgets to actual performance.
- Assessed the reasonableness and supportability of the cash flow forecasts by considering the key factors upon which they were based and the underlying drivers for growth.
- Compared growth rate assumptions used in the impairment model to historical results and economic and industry forecasts.
- With the assistance of our internal valuation experts, we assessed the discount rate and terminal growth rate used in the impairment model by comparing them to market data, comparable companies and industry research.
- We considered the disclosures made in note 20 (c) in light of the requirements of Australian Accounting Standards.

Impairment and disposal of investment in Stratton Finance Pty Ltd

(Refer to note 21 Discontinued operations)

carsales.com Limited disposed of their 50.1% interest in Stratton Finance Pty Ltd (Stratton) on 30 April 2020 for \$7.0m and recorded a loss on sale of \$1.2m. The previously disclosed Finance and Related Services Segment in the Group financial statements included Stratton. In the prior comparative period, following the announcement of the Group's intention to dispose of Stratton, it was classified as held for sale and as a discontinued operation.

The discontinued operation recorded a loss after income tax of \$5.3 million for the year ended 30 June 2020 (2019: loss of \$48.1 million), including an impairment loss of \$4.5 million (2019: impairment loss of \$47.8 million).

Impairment and disposal of Stratton was a key audit matter given the accounting impacts were non-routine and required specific disclosure in the Group financial report.

We performed the following procedures, amongst others:

- Read the terms of the Sale Agreement.
 - Agreed the net sale proceeds to bank statements.
 - Assessed the carrying value of the consolidated assets and liabilities disposed of.
 - Recalculated the loss on sale by comparing the carrying value of Stratton's consolidated assets and liabilities to consideration received, less the costs of sale.
 - Evaluated the presentation of Stratton as a discontinued operation, in the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the notes to the financial report.
 - We considered the disclosures made in note 21 in light of the requirements of Australian Accounting Standards.
-

Independent auditor's report *continued*



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 40 to 61 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of carsales.com Limited for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Lisa Harker'.

Lisa Harker
Partner

Melbourne
18 August 2020

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2020.

A. Distribution of equity securities

Holding	Class of equity security			
	Ordinary shares		Redeemable preference shares	Convertible notes
	Shares	Options and performance rights		
	No. of holders	No. of holders	No. of holders	No. of holders
1 – 1,000	11,360	10	-	-
1,001 – 5,000	6,086	19	-	-
5,001 – 10,000	724	10	-	-
10,001 – 100,000	400	19	-	-
100,001 and over	76	2	-	-
	18,646	60	-	-

There were 360 holders of less than a marketable parcel of ordinary shares. There were no redeemable preference shares or convertible notes outstanding.

B. Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	86,822,434	35.3
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	41,571,425	16.9
CITICORP NOMINEES PTY LIMITED	14,902,056	6.1
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	9,874,939	4.0
NATIONAL NOMINEES LIMITED	6,089,061	2.5
BNP PARIBAS NOMS PTY LTD <DRP>	4,781,079	1.9
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,716,648	1.5
ESSENA PTY LTD	3,080,000	1.3
BILLKAREN PTY LTD <ROBINSON FAMILY A/C>	2,055,500	0.8
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,038,424	0.8
CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	1,961,872	0.8
FOUR US PTY LTD <GREG & KAREN ROEBUCK FA A/C>	1,926,555	0.8
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,365,626	0.6
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,316,389	0.5
MILTON CORPORATION LIMITED	1,197,000	0.5
MR ANDREW GAJTAN CURMI	1,160,500	0.5
GREGORY PAUL ROEBUCK	1,073,968	0.4
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	972,186	0.4
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	932,200	0.4
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	800,000	0.3
	187,637,862	76.3

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Employee Option Plan to take up ordinary shares	1,083,234	60

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
The Vanguard Group, Inc	13,175,525	5.36

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.

Corporate Directory

Directors

Pat O'Sullivan

(Non-Executive Chair)

Cameron McIntyre

(Managing Director and CEO)

Wal Pisciotta OAM

(Non-Executive Director)

Kim Anderson

(Non-Executive Director)

Edwina Gilbert

(Non-Executive Director)

Kee Wong

(Non-Executive Director)

David Wiadrowski

(Non-Executive Director)

Steve Kloss

(Alternate Non-Executive Director)

Company secretary

Nicole Birman

Registered office

Level 4, 449 Punt Road Richmond Vic 3121

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Share registry

Computershare Ltd

452 Johnston Street Abbotsford Vic 3067

T +61 3 9415 4000

F +61 3 9473 2500

computershare.com

External auditor

PricewaterhouseCoopers

2 Riverside Quay Southbank Vic 3006

Stock Exchange

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

ASX: CAR

