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

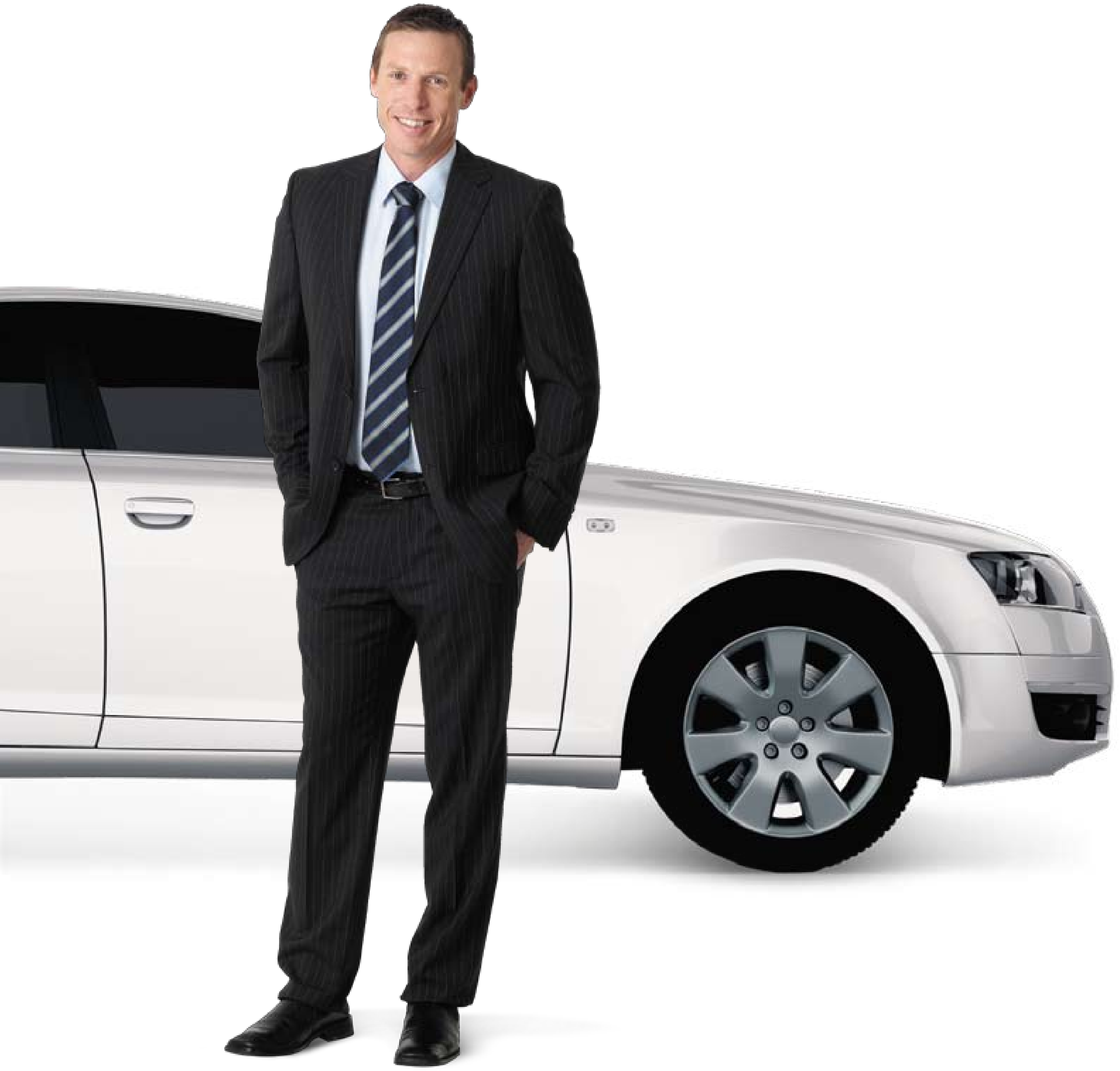
Annual Report 2009

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

Contents

“The next twelve months will be very exciting for the business not only from the perspective of it’s evolving corporate identity, but also with quite a number of new product releases planned.”

Wal Pisciotta



Chairmans Letter

Chairman's Letter

Dear Shareholders,

The Board is pleased to present the company's full year audited results for the financial year ending 30 June 2009.

Once again the company has performed very strongly in what has been a very difficult global and domestic climate and we have continued to deliver excellent results for both our customers and shareholders alike. The major financial highlights of the past twelve months are as follows:

- **Revenue up 32.9% on previous corresponding period (pcp) from $72.5m to $96.3m.**
- **Profit (EBITDA) up 54.5% on pcp from $28.3m to $43.7m**
- **EBITDA margins grew on pcp from 39.0% to 45.4%**
- **Net Profit (after tax) up 63.8% on pcp from $18.7m to $30.7m**

The Board has declared a final 2009 dividend of 7.8 cents per share fully franked which represents DPS growth of 64%. The dividend payment will have a record date of the 18th August 2009 and a payment date of 25th August 2009.

No doubt most shareholders would by now be aware of the company's intention to list on the ASX before the end of September this year. Personally, I am extremely pleased to finally see this important milestone in the history of the company being attained. Being ASX listed will amongst other things enable shareholders to realise all or a portion of their investment in carsales. It will broaden the company's shareholder base and create a liquid market for shares in the company. It will provide the broader business with the benefits associated with an increased profile, transparency and credibility. It will improve the company's capital management flexibility by providing ongoing access to capital markets, as well as being an enabler for attaining and retaining quality personnel.

Over the coming days, weeks and months, if shareholders are looking for more information about the ASX listing process or the company more broadly, they can now refer to the new shareholder section of the carsales.com.au website.

One of the more common questions that I have been asked over the past six to nine months from people who have been interested in our performance has been how has carsales been able to perform so well in such a difficult economic environment? In truth the simple response has been as our brand lock up states "because it works!", but the reality is somewhat more complex.

At an automotive industry level, the new car market represents approximately one third of all cars sold each year and while the new car market has, as widely reported, been under some degree of volume pressure the used car market which represents the other two thirds of the market has been relatively buoyant throughout the past twelve months.

Underpinning this buoyancy have been economic factors such as declining Reserve Bank of Australia cash rates, declining fuel prices, the Federal Governments stimuli to Australian households and the Australian Taxation Offices Investment Allowance to the business sector.

From a carsales perspective; our ability to enhance our site performance capability to drive enquiry; improve our yields from private advertisers; develop our in house sales resources in display advertising sales through Mediamotive and continue to develop our non automotive verticals, while at all times relentlessly controlling cost have been critical success factors of the last twelve months.

The next twelve months will be very exciting for the business not only from the perspective of its evolving corporate identity, but also with quite a number of new product releases planned, which will ensure that we stay very focused on delivering the best possible product solutions for our customers.

On behalf of the Board of Directors, I would like to thank our customers for their continued endorsement of what we do, our employees for their hard work and dedication to the company and our shareholders

Sincerely

Wal Pisciotta
Chairman
Hawthorn 18 August 2009

Managing Director's Review

Managing Director's Review

Dear Shareholders,

It's August already and we've just delivered another wonderful result for the business. I'm extremely proud of the team at carsales for their upbeat and focussed approach to helping our customers through a difficult period.

There is no doubt that across our business in cars, bikes, boats, corporate display etc., that the market has and is likely to be for a while – tough.

The great thing is, with our approach to accountable advertising, our customers are realising the need to measure the results from their investments.
It's no coincidence that we had a good year as a result: we are more valuable to our customers than ever.
This is not a position we can take lightly and again I'm very proud of our ability to have grown volumes across the business to fuel our results

We've invested significantly across the business over the last twelve months: In Technology we've grown our capacity to facilitate on-going growth; in Corporate – our display advertising area – we've taken in-house the representation of our websites from third parties and the MediaMotive division is now over 20 staff; Redbook has also seen growth across the region and we're continuing to enhance the rich data assets this business brings to the broader carsales entity.

DataMotive has added a number of new Manufacturer/Importer relationships across both new and used vehicle services and two very exciting new initiatives are under development that will be revealed in our FY10 half-year update – more Industry firsts that are clearly focussed on driving more profitability and success to our customer's businesses.

Site upgrades to most of our key websites have continued to occur and have driven strong consumer support. Our combined inventory search we rolled out late last year / earlier this year has been very well received and delivered uplift in both private and dealer enquiry volumes.

Staff levels have increased again this year as we continue to gear up for more growth and to deliver the numerous new initiatives we have underway. Our new premises (albeit a year old now!), are fantastic and should support our growth well into the future.

From a financial perspective, the numbers speak for themselves. Revenue up 33% year on year and EBITDA up 55% - but it's now a new financial year and the focus is on what we need to do for the next 12 months!

I'd like to once again thank the staff of carsales.com Ltd. for their fantastic attitudes and passion for our business and also to our customers whose successful results are as important to us as our own.

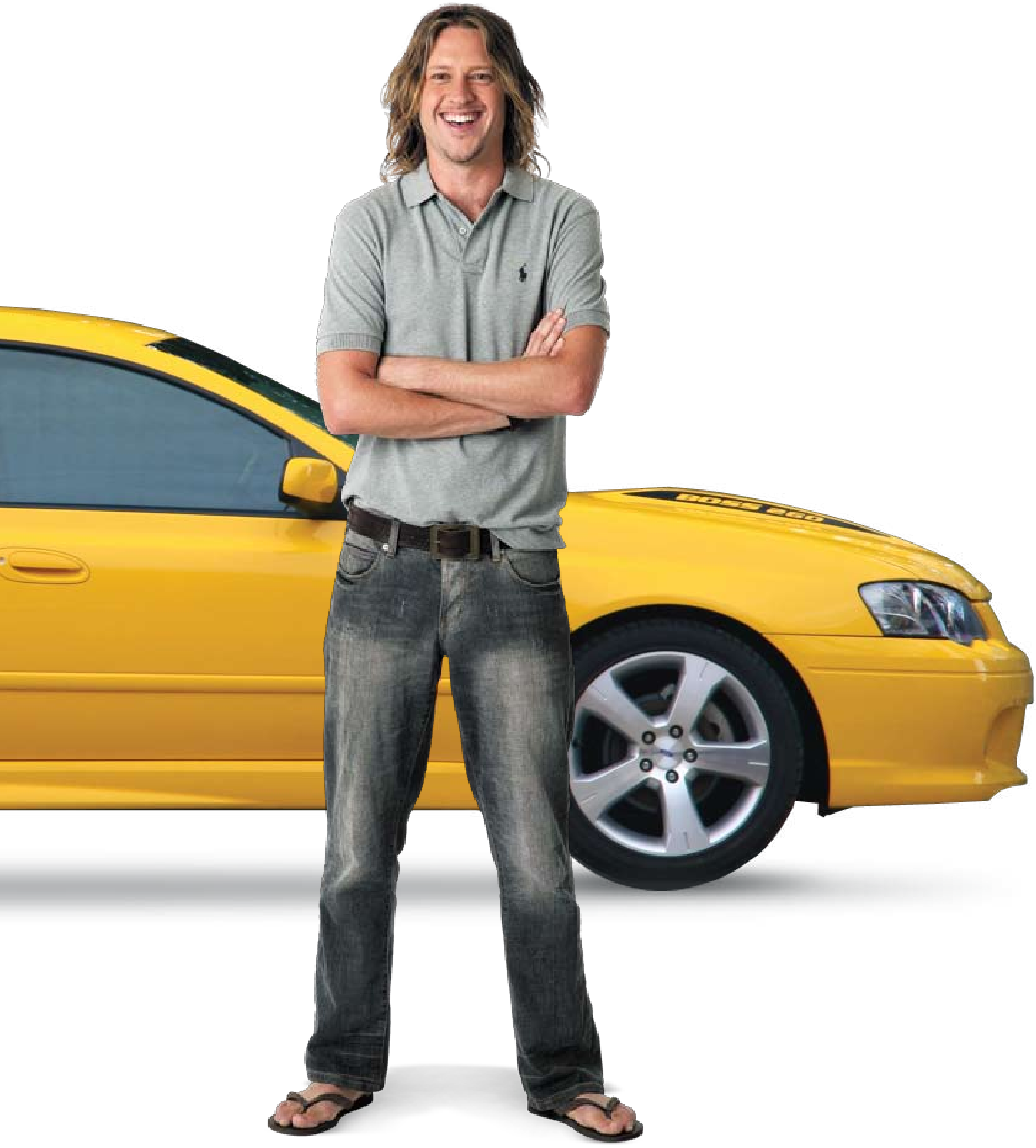
Thank you once again from myself and the entire team at carsales.com Ltd. for your continued support.

Yours sincerely,

Greg Roebuck
Managing Director and CEO,
Hawthorn, 18 August 2009

"With our approach to accountable advertising, our customers are realising the need to measure the results from their investments."

Greg Roebuck



Director's Report

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 2009.

Directors

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

Wal Pisciotta, Greg Roebuck, Jeffrey Browne, Ian Law, Pat O'Sullivan, Ric Collins, Adrian MacKenzie

Principal activities

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

Dividends - carsales.com Ltd

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

	2009 $	2008 $
Final fully franked cash dividend for the year ended 30 June 2008 of 4.75 cents (2007 - franked 3.9 cents and special dividend 2.1 cents) per fully paid share paid on 28 November 2008	**10,922,109**	13,772,948
Interim ordinary dividend for the year ended 30 June 2009 of 5.5 cents (2008 - 1.3 cents) per fully paid share paid on 24 April 2009	**12,676,902**	2,988,039
	23,599,011	16,760,987

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $18,064,862 (7.8 cents per fully paid ordinary share) to be paid on 25 August 2009 out of retained profits at 30 June 2009.

Review of operations

During the year the group generated gross revenues of $96,307,048 (2008: $72,480,286). Profit after tax were $30,674,501 (2008: $18,730,834), please also refer to the Chairman's letter and Managing Director's review of operations for further information on the operations of the Group.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may affect (a) the Goup's operations in future financial years (b) the results of those operations in future financial years, or (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

Wal Pisciotta
(non executive chairman)

Experience and expertise
Date of birth 03/05/1950. Wal has more than 35 years experience in supplying computer services to the automotive industry and is also the Chairman of Pentana Solutions P/L.

Wal holds a Bachelor of Science Degree in Business Administration from the University of Alabama (United States) and has been the Chairman of carsales.com Ltd since its inception.

Ric Collins
(non executive chairman)

Experience and expertise
Date of birth 04/01/1951. He has been a Director of carsales.com Ltd since 2000 and has over 25 years experience as Dealer Principal, currently holding Ford, Toyota and Subaru Franchises. Holds a Bachelor of Economics Degree from Melbourne University.

Greg Roebuck
(managing director)

Experience and expertise
Date of birth 05/03/1960. Greg was the original architect of carsales.com; has been on its Board since inception and Managing Director and CEO since May of 2002.

Greg is a Fellow of the Australian Institute of Company Directors. He has over 25 years experience in providing technology solutions to the Australian Automotive Industry.

Greg studied computer science at RMIT (Melbourne). In July 2009 Greg won the Ernst & Young Entrepreneur of the Year Award for the Southern Region of Australia in Technology & emerging industries: Software, hardware, telecommunications, digital media and health sciences.

Patrick O'Sullivan
(non executive director)

Experience and expertise
Date of Birth 19/01/1964. He is the Chief Financial Officer of the PBL Media Group. Prior to this position he was the Chief Operating Officer of PBL, a position he had held since February 2006.

Before joining PBL, Mr O'Sullivan was the Chief Financial Officer of Optus. Mr O'Sullivan is currently a member of The Institute of Chartered Accountants in Ireland and The Institute of Chartered Accountants in Australia, and is a graduate of the Harvard Business School's Advanced Management Programme.

Ian Law
(non executive director)

Experience and expertise
Date of birth 31/08/1951. He is Chief Executive Officer of PBL Media and started at PBL in May 2006 where he occupied the role of CEO of ACP Magazines Ltd.

Between 2002 and 2006 Mr Law was the Managing Director and Chief Executive Officer of West Australian Newspaper Holdings Limited.

Prior to joining West Australian Newspaper Holdings Limited Mr Law held a number of senior management roles with Rural Press Limited. Mr Law is a member of the Australian Institute of Company Directors.

Jeffrey Browne
(non executive director)

Experience and expertise
Date of birth 23/06/1953. He is the Managing Director of GTV 9 in Melbourne and is a Non Executive Director of Holden Special Vehicles.

Jeffrey is a former commercial lawyer, with extensive experience in the automotive industry.

Mr Browne has a degree in Arts from La Trobe University (Melbourne) and Law from Monash University (Melbourne).

Adrian MacKenzie
(non executive director)

Experience and expertise
Date of birth 24/04/1971. He is the Partner in Charge of CVC, responsible for Asia Pacific, Australia and New Zealand.

Prior to CVC Adrian was with J Henry Schroder Wagg & Co Ltd (London and New York). Adrian holds a Degree in Technology and Business Studies from the University of Strathclyde (Scotland).

Company secretary

Cameron McIntyre and Janet Gillam were both appointed to the role of joint company secretary. Cameron is currently Chief Financial Officer and Janet is Legal Counsel for carsales.com Ltd. Cameron is the former Finance Director of Sensis and has over 14 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practicing Accountant, an Associate Fellow of the Australian Institute of Management and a graduate of the Harvard Business School's General Management Program. Janet holds a Bachelor of Arts from Melbourne University and Bachelor of Laws from Monash University (Melbourne).

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
W Pisciotta	11	11	-	-	1	1
G Roebuck	11	11	-	-	-	-
I Law	9	11	-	-	1	1
R Collins	9	11	1	3	-	1
P O'Sullivan	9	11	3	3	-	-
J Browne	9	11	3	3	-	-
A MacKenzie	7	11	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Remuneration report

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

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information.

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

A. Principles used to determine the nature and amount of remuneration (audited)

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

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

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

Non-executive directors

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

Directors' fees

The current base remuneration was last approved by shareholders at the Annual General Meeting held on the 15th of September 2008.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum payable to be shared by all non-executive directors currently stands at $218,000 per annum along with 625,000 share options. The Directors determine how these are to be shared by the Directors. Refer to fees paid in section b below.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in the carsales.com Ltd Option Plan, and
- other remuneration such as superannuation.

Base pay

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

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

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

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

Superannuation

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

Short-term incentives

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

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

For the year ended 30 June 2009, the KPIs linked to STI plans were based on group, individual business and personal objectives. The KPIs required performance in achieving sales targets and profit, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

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

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Remuneration Committee and the Managing Director. The review of STI targets and payments is conducted on an annual basis.

Long-term incentives

Long-term incentives are provided to certain employees via the carsales.com Ltd Option Plan, see D Share-based compensation on page 18 for further information.

B. Details of remuneration (continued)

Amounts of remuneration

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

The key management personnel of the Group are the directors of carsales.com Ltd (see page 11 above) and those executives that report directly to the Managing Director being:

- Cameron McIntyre - Chief Financial Officer, Joint Company Secretary
- Grant Taylor - General Manager Non Automotive
- Damian Hardy - General Manager Data & Research
- Shane Pettiona - Chief Operating Officer

In addition, the following persons must be disclosed under the Corporations Act 2001 as they are among the 5 highest remunerated group and/or company executives:

- Greg Roebuck
- Cameron McIntyre
- Shane Pettiona
- Damian Hardy
- Grant Taylor

Key management personnel of the Group

2009	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	
Non-executive directors	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave# $	Options $	Total $
W Pisciotta	26,013	-	-	-	-	33,247	59,260
R Collins	16,600	-	-	1,494	-	33,247	51,341
I Law**	-	-	-	-	-	24,935	24,935
P O'Sullivan**	-	-	-	-	-	24,935	24,935
J Browne**	-	-	-	-	-	24,935	24,935
A MacKenzie**	-	-	-	-	-	24,935	24,935
Sub-total non-executive directors	**42,613**	**-**	**-**	**1,494**	**-**	**166,234**	**210,341**

2009	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	
Executive directors	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave# $	Options $	Total $
G Roebuck^#	583,901	340,000	-	31,472	52,857	76,982	1,085,212
Other key management personnel and executives (Group)							
C McIntyre^#	254,445	101,103	-	15,469	1,329	56,157	428,503
S Pettiona^#	229,358	56,813	-	20,642	15,480	50,178	372,471
D Hardy^#	192,899	62,936	-	17,361	7,047	20,342	300,585
G Taylor^#*	201,148	72,125	-	-	-	20,342	293,615
Total key management personnel compensation (Group)	**1,504,364**	**632,977**	**-**	**86,438**	**76,713**	**390,235**	**2,690,727**

Key management personnel of the Group

2008	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments	
Non-executive directors	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave# $	Options $	Total $
W Pisciotta (Chairman)	19,128	-	-	372	-	34,425	53,925
R Collins	17,505	-	-	1,575	-	34,425	53,505
I Law**	-	-	-	-	-	25,819	25,819
P O'Sullivan**	-	-	-	-	-	25,819	25,819
J Browne**	-	-	-	-	-	25,819	25,819
A MacKenzie (appointed 20/07/07)**	-	-	-	-	-	25,819	25,819
J Packer (resigned 03/10/07)	-	-	-	-	-	-	-
J Alexander (resigned 12/07/07)	-	-	-	-	-	-	-
Sub-total non-executive directors	**36,633**	**-**	**-**	**1,947**	-	**172,126**	**210,706**
Executive directors							
G Roebuck^#	357,053	247,652	-	40,980	78,096	36,711	760,492
Other key management personnel and executives (Group)							
C McIntyre (appointed 10/07/07)^#	224,064	66,420	3,905	21,404	253	41,738	357,784
G Taylor^#*	192,596	59,338	-	-	-	9,178	261,112
K Carollo^#	207,175	-	-	13,129	6,945	-	227,249
D Hardy^#	160,689	38,151	11,094	17,051	5,726	9,178	241,889
S Pettiona^#	160,550	-	-	14,450	26,004	34,042	235,046
Total key management personnel compensation (Group)	**1,338,760**	**411,561**	**14,999**	**108,961**	**117,024**	**302,973**	**2,294,278**

^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the orporations Act 2001.
# denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.
* Grant Taylor's remuneration reflects those payments made by carsales.com Ltd to Pentana Solutions P/L.
** The Board of carsales.com Ltd has been advised by the four PBLM non-executive directors that they have received the share options, provided as remuneration for being on the Board of the company on behalf of ACP Magazines Pty Ltd and any shares received by exercising those options will be owned by ACP Magazines Pty Ltd.

C. Service agreements

There are no service agreements between the Company and its Non Executive Directors. The Company's constitution requires that Directors remuneration be determined at Annual General Meetings. There are no agreements to pay benefits to Non Executive Directors upon termination.

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

All executives have on-going terms of agreement with the Group with the exception of Cameron McIntyre (end date 01 January 2012), Shane Pettiona (end date 01 July 2010), and Damian Hardy (end date 1 November 2011). Contracts can be terminated on the basis of performance, long term illness or otherwise by agreement.

D. Share-based compensation

Options

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

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	% Vested
August 2004	August 2006	August 2009	$0.35	$0.05	100
June 2006	November 2007	November 2010	$0.70	$0.05	100
October 2006	December 2006	November 2010	$0.70	$0.29	100
October 2006	December 2006	October 2010	$1.05	$0.17	100
December 2006	December 2006	December 2011	$1.05	$0.29	100
February 2007	November 2008	November 2011	$1.05	$0.40	100
July 2007	June 2009	June 2014	$1.75	$0.55	100
August 2007	May 2009	August 2012	$1.75	$0.55	100
October 2007	October 2010	October 2012	$2.15	$0.41	n/a
October 2007	October 2008	October 2011	$2.15	$0.41	100
September 2008	September 2009	September 2012	$2.00	$0.16	n/a
September 2008	September 2009	September 2012	$2.15	$0.18	n/a
September 2008	September 2011	September 2013	$2.00	$0.21	n/a
July 2009	September 2012	September 2014	$2.00	$0.36	n/a

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

Options issued to the executives expire if their employment is terminated.

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

Further information on the options is set out in Note 31 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
Directors of carsales.com Ltd	**2009**	2008	**2009**	2008
W Pisciotta	**125,000**	125,000	**125,000**	-
R Collins	**125,000**	125,000	**125,000**	-
I Law	**93,750**	93,750	**93,750**	-
G Roebuck	**400,000**	400,000	**400,000**	-
J Browne	**93,750**	93,750	**93,750**	-
P O'Sullivan	**93,750**	93,750	**93,750**	-
A MacKenzie	**93,750**	93,750	**93,750**	-
Other key management personnel and executives of the Group				
C McIntyre	**200,000**	225,000	**125,000**	-
S Pettiona	**200,000**	200,000	**100,000**	-
D Hardy	**200,000**	100,000	**75,000**	-
G Taylor	**200,000**	100,000	**75,000**	-

The model inputs for options granted during the year ended 30 June 2009 included:

(a) options are granted for no consideration. For vesting dates, see above.
(b) exercise price: $2.00 and $2.15 (2008 - $1.75 and $2.15)
(c) grant date: September 2008 and July 2009 (2008 - July 2007, August 2007, October 2007)
(d) expiry date: September 2012, September 2013, September 2014.
(e) share price at grant date: $1.75 and $2.20 (2008 - $1.75)
(f) expected price volatility of the company's shares: 35% (2008 - 35%)
(g) expected dividend yield: 7.3% (2008 - 1%)
(h) risk-free interest rate: 4.11% (2008 - 5.96%).

Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
Directors of carsales.com Ltd		**2009**	2008
W Pisciotta		**-**	133,000
R Collins		**-**	283,000
G Roebuck	April 2009	**400,000**	500,000
Other key management personnel and executives of the Group			
D Hardy	March 2009	**75,000**	125,000
G Taylor	March 2009	**75,000**	-

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

Exercise date	Amount paid per share
March 2009	$1.05
April 2009	$0.70

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

E. Additional information

Details of remuneration: cash bonuses and options

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

	Cash bonus		Options					
Name	Paid %	Forfeited %	Financial year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
W Pisciotta	-	-	2008	100	-		-	-
			2009	-	-	2010	-	4,220
R Collins	-	-	2008	100	-		-	-
			2009	-	-	2010	-	4,220
I Law	-	-	2008	100	-		-	-
			2009	-	-	2010	-	3,165
G Roebuck	122	-	2007	100	-		-	-
	-	-	2008	-	-	2011	-	73,422
			2009	-	-	2012	-	61,133
J Browne	-	-	2008	100	-		-	-
			2009	-	-	2010	-	3,165
P O'Sullivan	-	-	2008	100	-		-	-
			2009	-	-	2010	-	3,165
A MacKenzie	-	-	2008	100	-		-	-
	-	-	2009	-	-	2010	-	3,165
D Hardy	66	34	2008	-	-	2011	-	18,356
	-	-	2009	-	-	2012	-	18,340
	-	-	2009	-	-	2013	-	28,424
G Taylor	80	20	2008	-	-	2011	-	18,356
	-	-	2009	-	-	2012	-	18,340
	-	-	2009	-	-	2013	-	28,424
C McIntyre	101	-	2008	100	-		-	-
	-	-	2008	-	-	2011	-	18,356
			2009	-	-	2012	-	18,340
			2009	-	-	2013	-	28,424
S Pettiona	57	43	2008	100	-		-	-
			2008	-	-	2011	-	18,356
			2009	-	-	2012	-	18,340
	-	-	2009	-	-	2013	-	28,424

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Current year option payments $	C Value at grant date $	D Value at exercise date $	E Value at lapse date $
W Pisciotta	56.1%	33,247	20,254	-	-
R Collins	64.8%	33,247	20,254		-
I Law	100.0%	24,935	15,190		-
P O'Sullivan	100.0%	24,935	15,190		-
G Roebuck	7.5%	76,982	83,048	20,000	-
J Browne	100.0%	24,935	15,190	-	-
A MacKenzie	100.0%	24,935	15,190	-	-
C McIntyre	13.1%	56,157	24,914	-	-
G Taylor	6.9%	20,342	24,914	30,000	-
S Pettiona	14.1%	50,178	24,914	-	-
D Hardy	6.9%	20,342	24,914	30,000	-

As the options are not traded in an active market, the value at grant date is equal to the value at exercise date.

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
B = The value of options pertaining to this financial year, which have been awarded in either the current or prior financial years.
C = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration, and is also applicable to future years based on the vesting period of the options.
D = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.
E = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
Jul-2000	Jul-2010	$0.20	96,666
Jun-2006	Nov-2010	$0.70	210,000
Jun-2006	Dec-2011	$0.70	100,000
Feb-2007	Nov-2011	$1.05	700,000
Jul-2007	Jun-2014	$1.75	255,000
Aug-2007	Aug-2012	$1.75	225,000
Oct-2007	Oct-2011	$1.75	37,500
Oct-2007	Oct-2011	$2.15	625,000
Oct-2007	Oct-2012	$2.15	1,317,500
Sep-2008	Sep-2012	$2.00	625,000
Sep-2008	Sep-2012	$2.15	52,500
Sep-2008	Sep-2013	$2.00	1,410,000
Jul-2009	Sep-2014	$2.00	320,000
			5,974,166

No option holder has any right under the options to participate in any other share issue of the company. No further options have been issued post 30 June 2009.

Shares issued on the exercise of options

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2009 on the exercise of options granted under the carsales.com Ltd Employee Option Plan. In the period since 30 June 2009, a further 100,000 shares were issued following the exercise of employee options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of share issued
Jul-2000	$0.20	10,000
Jun-2006	$0.70	400,000
Feb-2007	$1.05	225,000
Aug-2007	$1.75	100,000
		735,000

Insurance of officers

During the financial year, carsales.com Ltd paid a premium of $8,465 to insure the directors, officers and secretaries of the Group.

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

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 23.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001. This report is made in accordance with a resolution of directors.

Wal Pisciotta
Director

Greg Roebuck
Director
18 August 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Limited for the year ended 30 June 2009, 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.

John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
18 August 2009

"Site upgrades to most of our key websites have continued to occur and have driven strong consumer support."

Greg Roebuck

Corporate Governance
Statement

Corporate Governance Statement

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

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations.

The Board of Directors

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

Responsibilities

The responsibilities of the Board include:

- protecting and enhancing the value of the assets of the Company;
- setting strategies, directions and monitoring and reviewing against these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- reviewing the Company's accounts;
- approval and review of the one year operating budget and five year strategic plan for the Company;
- evaluating performance and determining the remuneration of the Managing Director and Senior Management;
- ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place
- approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- approval of financial and dividend policy; and
- appointment of the Managing Director.

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

Structure of the Board

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

Board composition

The charter states:

- The number of directors must not be less than 3. There are presently 7 directors of the Company.
- With the exception of the Managing Director, a director may not hold office for more than three years or beyond the third annual general meeting following his appointment (whichever is the longer period) without submitting himself for re election.
- The Board should at all times comprise a minimum of 1 independent director, to ensure that the Company is run in its own best interests and, accordingly, in the best interests of shareholders.
- In assessing the independence of directors, the Board will apply the definitions contained in the ASX Corporate Governance Council, 'Corporate Governance Principles and Recommendations' (2nd ed) as set out in Schedule 4.
- The composition of, and terms of reference for, the Board is to be reviewed annually by the Board and the Chairman is to assess the effectiveness of the Board.

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

Commitment
The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2009, and the number of meetings attended by each director is disclosed on page 13.

Conflict of interests
Entities connected with the directors that had business dealings with the Group during the year, are described in note 23 to the financial statements. In accordance with the board charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

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

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

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

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Board nominations
ASX Principle 2 of best practice in corporate governance suggests that a Nomination Committee be formed of at least three members with a mojority of independent directors. Given the size of the Group and Board, it was felt appropriate that the full Board would consider all future applicants for any vacant Board positions and for all new Directors to be ratified at the next Annual General Meeting.

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

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

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

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

Audit Committee

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

R Collins
P O'Sullivan
J Browne

Details of these directors' qualifications and attendance at Audit Committee meetings are set out in the directors' report on pages 12.

All members of the Audit Committee are financially literate and have an appropriate understanding of the industries in which the Group operates. In addition Mr O'Sullivan who is an accountant has financial expertise and prior experience of financial and accounting matters.

The Audit Committee operates in accordance with a charter which is available on the Company website.

The main responsibilities of the committee are:

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

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors
- reviews the processes the CEO and CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides external auditors with a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

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

External auditors

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

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is in note 24 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

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

Continuous disclosure and shareholder communication

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

All information disclosed to the ASX is posted on the Company's web-site as soon as it is disclosed to the ASX. All shareholders receive a copy of the Company's annual (full or concise) and half-yearly reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means.

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

Recognise and manage risk

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.
Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see page 28) is required at all times and the Board actively promotes a culture of quality and integrity.

Corporate reporting

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

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

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors (one of which is independent):

W Pisciotta
I Law
R Collins

Details of these directors' attendance at Remuneration Committee meetings are set out in the directors' report on page 13.

The Remuneration Committee operates in accordance with its charter which is available on the Company website. The Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Financial Report

Contents

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Chairman's letter to shareholders on page 5, the Managing Director's review of operations on page 7 and in the directors' report on pages 11-23, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 18 August 2009. The directors have the power to amend and reissue the financial report.

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

Income statements

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Revenue from continuing operations	5	**96,307,048**	72,480,286	**76,411,446**	57,885,070
Other income		**26,029**	-	**15,000**	-
Other expenses		**(2,101,541)**	(884,861)	**(1,334,713)**	(663,672)
Sales and marketing expenses		**(33,595,775)**	(25,905,696)	**(22,685,180)**	(19,036,839)
Service development and maintenance		**(8,411,626)**	(5,147,453)	**(6,521,844)**	(4,937,560)
Operations and administration		**(10,240,581)**	(12,513,062)	**(7,327,368)**	(9,815,152)
Finance costs	6	**(1,051,994)**	(1,301,076)	**(1,048,827)**	(1,299,407)
Profit before income tax		**40,931,560**	26,728,138	**37,508,514**	22,132,440
Income tax expense	7	**(10,257,059)**	(7,997,304)	**(7,969,211)**	(4,446,001)
Profit from continuing operations		**30,674,501**	18,730,834	**29,539,303**	17,686,439
Profit for the year		**30,674,501**	18,730,834	**29,539,303**	17,686,439
Profit attributable to members of carsales.com		**30,674,501**	18,730,834	**29,539,303**	17,686,439
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	Cents		
Basic earnings per share	30	13.3	8.2		
Diluted earnings per share	30	13.0	8.0		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	30	13.3	8.2		
Diluted earnings per share	30	13.0	8.0		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**15,729,445**	7,794,492	**13,099,062**	3,758,280
Receivables	9	**12,377,651**	11,736,543	**14,815,026**	7,797,859
Total current assets		**28,107,096**	19,531,035	**27,914,088**	11,556,139
Non-current assets					
Other financial assets	10	**-**	-	**80,020,093**	80,404,833
Property, plant and equipment	11	**4,181,770**	3,744,229	**3,777,255**	3,342,213
Deferred tax assets	12	**1,137,473**	912,361	**1,018,781**	760,452
Intangible assets	13	**77,774,636**	78,238,428	**440,022**	680,204
Total non-current assets		**83,093,879**	82,895,018	**85,256,151**	85,187,702
Total asset		**111,200,975**	102,426,053	**113,170,239**	96,743,841
LIABILITIES					
Current liabilities					
Payables	14	**7,364,326**	8,508,121	**17,080,483**	8,615,842
Interest bearing liabilities	15	**12,129**	18,449,565	**-**	18,429,301
Current tax liabilities		**3,804,880**	3,617,331	**1,648,488**	1,978,099
Provisions	16	**1,264,865**	968,790	**1,211,273**	874,999
Other current liabilities	17	**3,003,212**	2,354,149	**1,488,537**	1,201,063
Total current liabilities		**15,449,412**	33,897,956	**21,428,781**	31,099,304
Non-current liabilities					
Interest bearing liabilities	18	**18,766,593**	-	**18,766,593**	-
Provisions	19	**979,667**	774,519	**894,102**	665,911
Total non-current liabilities		**19,746,260**	774,519	**19,660,695**	665,911
Total liabilities		**35,195,672**	34,672,475	**41,089,476**	31,765,215
Net assets		**76,005,303**	67,753,578	**72,080,763**	64,978,626
EQUITY					
Contributed equity	20	**62,292,937**	61,774,686	**62,292,936**	61,774,686
Reserves	21(a)	**1,939,716**	1,281,732	**1,914,443**	1,270,848
Retained profits (accumulated losses)	21(b)	**11,772,650**	4,697,160	**7,873,384**	1,933,092
Total equity		**76,005,303**	67,753,578	**72,080,763**	64,978,626

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

Statements of change in equity

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Total equity at the beginning of the financial year		**67,753,578**	63,621,014	**64,978,626**	61,901,341
Exchange differences on translation of foreign operations		**14,390**	10,884	**-**	-
Profit for the year		**30,674,501**	18,730,834	**29,539,303**	17,686,439
Total recognised income and expense for the year		**30,688,891**	18,741,718	**29,539,303**	17,686,439
Contributions of equity upon excercise of employee share options		**518,250**	1,293,617	**518,250**	1,293,617
Dividends provided for or paid	22	**(23,599,011)**	(16,760,987)	**(23,599,011)**	(16,760,987)
Increase in share-based payment reserve	21	**643,595**	858,216	**643,595**	858,216
		(22,437,166)	(14,609,154)	**(22,437,166)**	(14,609,154)
Total equity at the end of the financial year		**76,005,303**	67,753,578	**72,080,763**	64,978,626

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

Cash flow statements

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Cash flows from operating activities					
Receipts from customers (incl GST)		**104,552,938**	69,449,317	**81,737,634**	48,733,145
Payments to suppliers and employees (incl GST)		**(61,142,942)**	(37,410,559)	**(40,444,839)**	(22,604,317)
		43,409,996	32,038,758	**41,292,795**	26,128,828
Interest received		**385,572**	522,351	**282,893**	282,264
Interest paid		**(779,518)**	(1,301,076)	**(711,535)**	(1,299,408)
Income taxes paid		**(10,294,622)**	(9,966,912)	**(10,175,978)**	(7,836,905)
Net cash inflow (outflow) from operating activities	29	**32,721,428**	21,293,121	**30,688,175**	17,274,779
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	27	**384,740**	(11,973,638)	**384,740**	(12,191,993)
Payments for property, plant and equipment		**(2,088,660)**	(3,617,016)	**(1,810,014)**	(3,447,560)
Payments for domain names		**(31,900)**	(110,768)	**(31,900)**	(109,383)
Proceeds from disposal of assets		**30,105**	-	**15,000**	-
Dividends received		**-**	-	**-**	-
Net cash (outflow) inflow from investing activities		**(1,705,715)**	(15,701,422)	**(1,442,174)**	(15,748,936)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**518,251**	1,293,617	**518,251**	1,293,617
Proceeds from borrowings - external		**1,000,000**	14,006,839	**1,000,000**	13,992,416
Proceeds from borrowings - related parties		**-**	-	**-**	2,700,000
Repayment of borrowings		**(1,000,000)**	(2,027,838)	**(1,000,000)**	(2,009,422)
Dividends paid to company's shareholders	22	**(23,599,011)**	(16,760,987)	**(23,599,011)**	(16,760,987)
Transfer from subsidiaries		**-**	-	**3,175,541**	-
Net cash inflow (outflow) from financing activities		**(23,080,760)**	(3,488,369)	**(19,905,219)**	(784,376)
Net increase (decrease) in cash and cash equivalents		**7,934,953**	2,103,330	**9,340,782**	741,467
Cash and cash equivalents at the beginning of the financial year		**7,794,492**	5,691,162	**3,758,280**	3,016,813
Cash and cash equivalents at end of year	8	**15,729,445**	7,794,492	**13,099,062**	3,758,280

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents of notes to financial statements

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of carsales.com Ltd complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

AASB 8 Operating Segments was early adopted by the Group in 2009. AASB 8 replaces AASB 114, Segment Reporting and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd (''company'' or ''parent entity'') as at 30 June 2009 and the results of all subsidiaries for the year then ended. carsales.com Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group 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 Group.

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), 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 shareholders' equity. 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 income statement, as part of the gain or loss on sale where applicable.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Where the Group has utilised the services of a sales agency to sell advertising services on behalf of the Group, the sale is recorded at a value inclusive of sales commissions paid to the sales agency. Revenue is recognised for the major business activities as follows:

(i) Advertising services

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

(ii) Data and other services

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

(iii) Interest income

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

(iv) Dividends

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

(f) Income tax

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

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

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

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

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

Tax consolidation legislation

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

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

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

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (note 11). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, as there is no published market price of equity instruments, other evidence and valuation methods are used as a measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statements, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

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

(l) Investments and other financial assets

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and receivables in the balance sheets. Refer to note 1(k) for details of the impairment policy for trade receivables.

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

(n) Intangible assets

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

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

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

The useful lives for these assets are as follows:

- software 3 years
- domain names 5 years
- database 10 years.

(iii) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved services) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. These intangible assets have finite lives and are subject to amortisation.

(o) Trade and other payables

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

(p) Borrowings

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

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

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

(q) Borrowing costs

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

(r) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave 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 reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the carsales.com Ltd Option Plan. Information relating to these schemes is set out in note 31.

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

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

(s) Contributed equity

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

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheets (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(h) above.

(w) Goods and Services Tax (GST)

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

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

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

2. Financial risk management

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

The financial risks detailed below are materially consistent between the Parent and the Group.

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

(a) Credit risk

Credit risk is managed on a daily basis and reported on a monthly basis to the Chief Financial Officer and senior management of the company. Credit risk of the Group arises predominantly from outstanding receivables from customers.

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

Details of impaired and past due receivables are disclosed in note 9.

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

(b) Interest rate risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the cash at bank and the cash advance facility. The interest rate applicable at year end on the cash at bank was 3.0%, while the interest on the cash advance facility was 4.0%. Interest charged on inter company loans between wholly owned subsidiaries is 0%. The maturity date of the cash advance facility is 16/01/2012.

As at reporting date, the Group had $18,766,593 (2008 - $18,410,801) variable rate borrowings at weighted average interest rate of 5.9% (2008 - 8.3%).

The annualised impact of a 50 basis point increase/decrease from the year end interest rate on the cash advance facility at year end (face value of $18,500,000) would increase/decrease net profit by $64,750.

(c) Liquidity risk

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

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 $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash flows $	Carrying Amount (assets)/ liabilities $
Group - At 30 June 2009					
Non-derivatives					
Non-interest bearing payables	2,099,337	-	-	2,099,337	2,099,337
Variable rate	-	-	18,766,593	18,766,593	18,766,593
Fixed rate	12,129	-	-	12,129	12,129
Total non-derivatives	**2,111,466**	**-**	**18,766,593**	**20,878,059**	**20,878,059**
Group - At 30 June 2008					
Non-derivatives					
Non-interest bearing payables	3,997,591	-	-	3,997,591	3,997,591
Variable rate	18,410,801	-	-	18,410,801	18,410,801
Fixed rate	26,635	12,129	-	38,764	38,764
Total non-derivatives	**22,435,027**	**12,129**	**-**	**22,447,156**	**22,447,156**
Parent - At 30 June 2009					
Non-derivatives					
Non-interest bearing payables	2,001,508	-	-	2,001,508	2,001,508
Variable rate	-	-	18,766,593	18,766,593	18,766,593
Fixed rate	-	-	-	-	-
Total non-derivatives	**2,001,508**	**-**	**18,766,593**	**20,768,101**	**20,768,101**
Parent - At 30 June 2008					
Non-derivatives					
Non-interest bearing payables	2,983,119	-	-	2,983,119	2,983,119
Variable rate	18,410,801	-	-	18,410,801	18,410,801
Fixed rate	18,500	-	-	18,500	18,500
Total non-derivatives	**21,412,420**	**-**	**-**	**21,412,420**	**21,412,420**

(d) Net fair value of financial assets and liabilities

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

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

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

(ii) Share Value on Acquisition

The Group determined the fair value of equity instruments issued as part of acquisition consideration based upon value in use calculations of the net assets of the business. These calculations require the use of assumptions and is sensitive to estimates of future performance and the discount rates used (refer to note 27).

(iii) Employee options

Fair value of employee options: refer to details of assumptions in note 31.

4. Segment information

(a) Description of segments

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

Online Advertising Services

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

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

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

Data and Research Services

The carsales divisions of ERG, Redbook and Datamotive provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies, finance and insurance companies offering products including software, research and reporting, valuation services, website development and hosting as well as photography services.

(b) Primary reporting format - business segments

2009	Online Advertising $	Data and Research $	Consolidated $
Segment revenue [note (i)]	82,916,220	13,005,255	95,921,475
Total segment revenue	**82,916,220**	**13,005,255**	**95,921,475**
EBITDA [note (ii)]	**38,630,315**	**5,069,207**	**43,699,522**
Depreciation			(2,101,541)
Interest			(666,421)
Profit before income tax			**40,931,560**
Income tax expense			(10,257,059)
Profit for the year			**30,674,501**
Segment assets [note (iii)]	**72,329,464**	**16,420,794**	**88,750,258**
Deferred tax asset			1,137,473
Unallocated assets			21,313,244
Total assets			**111,200,975**
2008	**Online Advertising $**	**Data and Research $**	**Consolidated $**
Segment revenue [note (i)]	61,629,435	10,296,584	71,926,019
Total segment revenue	**61,629,435**	**10,296,584**	**71,926,019**
EBITDA [note (ii)]	**24,438,256**	**3,846,672**	**28,284,928**
Depreciation			(809,981)
Interest Expense			(746,809)
Profit before income tax			**26,728,138**
Income tax expense			(7,997,304)
Profit for the year			**18,730,834**
Segment assets [note (iii)]	**71,532,654**	**16,576,497**	**88,109,151**
Deferred tax asset			912,361
Unallocated assets			13,404,541
Total assets			**102,426,053**

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

(i) Segment revenues
Segment revenues are derived from sales to external customers as set out in the table above. The nature of the segment revenues are as described in 4(a) above. Unallocated revenue is set out in note 5.

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

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

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

5. Revenue

From continuing operations

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Sales revenue				
Sales of services	**95,921,475**	71,926,019	**71,311,035**	50,466,087
Other revenue				
Interest	**385,573**	554,267	**282,893**	302,062
Dividends	**-**	-	**4,817,518**	7,116,921
	385,573	554,267	**5,100,411**	7,418,983
	96,307,048	72,480,286	**76,411,446**	57,885,070

6. Expenses

Profit before income tax incudes the following specific expenses:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Total employee benefits	**21,498,970**	17,921,892	**19,556,177**	16,077,127
Interest and finance charges paid/payable	**1,051,994**	1,301,076	**1,048,827**	1,299,407
Mininum lease payments	**1,838,681**	1,012,058	**1,624,879**	619,418
Research and development	**1,224,007**	976,321	**1,224,007**	976,321
Defined contribution superannuation expense	**1,705,790**	1,188,368	**1,414,821**	1,070,995
Net loss on disposal of property, plant and equipment	**35,504**	74,880	**12,688**	74,878
Depreciation and amortisation expense	**2,101,541**	809,981	**1,632,054**	588,794

7. Income tax expense

(a) Income tax expense

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Current tax	**12,536,707**	8,621,587	**10,282,076**	5,205,280
Deferred tax	**(225,112)**	(340,909)	**(258,329)**	(440,062)
Adjustments for current tax of prior periods	**(2,054,536)**	(283,374)	**(2,054,536)**	(319,217)
	10,257,059	7,997,304	**7,969,211**	4,446,001
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assests (notes 12)	**(225,112)**	(340,909)	**(258,329)**	(440,062)
	(225,112)	(340,909)	**(258,329)**	(440,062)

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

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Profit from continuing operations before income tax expense	**40,931,560**	26,728,138	**37,508,514**	22,132,440
Tax at the Australian tax rate of 30% (2008 - 30%)	**12,279,468**	8,018,441	**11,252,554**	6,639,732
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**193,080**	257,540	**153,738**	257,540
Non-taxable dividends	**-**	-	**(1,445,255)**	(2,135,076)
Sundry items	**(160,952)**	4,697	**62,711**	3,022
Adjustments for current tax of prior periods	**(2,054,537)**	(283,374)	**(2,054,537)**	(319,217)
Total income tax expense	**10,257,059**	7,997,304	**7,969,211**	4,446,001

(c) Prior period tax adjustments
Prior period tax adjustments were due to the receipt of R&D tax refunds and the resolution of the tax position in relation to the settlement between ACP Magazines and carsales for the iHub online business.

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

8. Current assets - Cash and cash equivalents

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Cash in hand	**4,153**	5,531	**2,000**	1,000
Bank balances	**15,725,292**	7,788,961	**13,097,062**	3,757,280
	15,729,445	7,794,492	**13,099,062**	3,758,280

(a) Cash at bank and in hand
Cash in hand is non interest bearing. Bank balances attract interest at a rate of 3.00% (2008: 6.75%).
The Group's and the parent entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

9. Current assets - Receivables

Net trade receivables

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Trade receivables	**12,722,760**	11,201,720	**9,565,698**	7,042,196
Provision for doubtful receivables (note (a))	**(606,998)**	(576,160)	**(403,834)**	(339,692)
	12,115,762	10,625,560	**9,161,864**	6,702,504
Prepaid general	**240,445**	977,231	**239,446**	954,843
	240,445	977,231	**239,446**	954,843
Other receivables	**21,444**	133,752	**20,169**	2,662
Amounts due from subsidiaries	**-**	-	**5,393,547**	137,850
	12,377,651	11,736,543	**14,815,026**	7,797,859

Receivables from related parties are disclosed under note 26.

(a) Impaired trade receivables

As at 30 June 2009 current trade receivables of the Group with a nominal value of $606,998 (2008 - $576,160) were impaired. This amount has been provided in the provision for doubtful debts.
The ageing of these receivables is as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
1 to 3 months	**114,112**	254,816	**90,864**	91,966
3 to 6 months	**163,568**	148,721	**61,913**	51,257
Over 6 months	**329,318**	172,623	**240,823**	196,469
	606,998	576,160	**393,600**	339,692

(b) Past due but not impaired

As of 30 June 2009, trade receivables of $2,883,726 (2008 - $3,805,008) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default.
The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Up to 3 months	**2,749,752**	3,154,979	**2,273,626**	1,839,669
3 to 6 months	**133,974**	650,029	**13,065**	164,361
	2,883,726	3,805,008	**2,286,691**	2,004,030

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.

(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.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

10. Non-current assets - Other financial assets

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Shares in subsidiaries (note 28)	-	-	**80,020,093**	80,404,833
	-	-	**80,020,093**	80,404,833

These financial assets are carried at cost.

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

Consolidated	Plant and equipment $	Motor vehicles $	Leasehold improvements $	Total $
At 1 July 2007				
Cost	2,354,541	84,271	298,123	2,736,935
Accumulated depreciation	(1,737,785)	(37,413)	(208,560)	(1,983,758)
Net book amount	**616,756**	**46,858**	**89,563**	**753,177**
Year ended 30 June 2008				
Opening net book amount	616,756	46,858	89,563	753,177
Acquisition of subsidiary	258,898	-	-	258,898
Additions	2,847,436	-	769,580	3,617,016
Asset disposal	(54,268)	-	(20,613)	(74,881)
Depreciation charge	(653,599)	(10,408)	(145,974)	(809,981)
Closing net book amount	**3,015,223**	**36,450**	**692,556**	**3,744,229**
At 30 June 2008				
Cost	4,942,427	84,271	780,254	5,806,952
Accumulated depreciation	(1,927,204)	(47,821)	(87,698)	(2,062,723)
Net book amount	**3,015,223**	**36,450**	**692,556**	**3,744,229**
Year ended 30 June 2009				
Opening net book amount	3,015,223	36,450	692,556	3,744,229
Additions	835,135	-	1,273,800	2,108,935
Asset disposal	(61,532)	(4,077)	-	(65,609)
Depreciation charge	(1,216,624)	(7,307)	(381,854)	(1,605,785)
Closing net book amount	**2,572,202**	**25,066**	**1,584,502**	**4,181,770**
At 30 June 2009				
Cost	5,774,472	62,366	2,055,860	7,892,698
Accumulated depreciation	(3,202,270)	(37,300)	(471,358)	(3,710,928)
Net book amount	**2,572,202**	**25,066**	**1,584,502**	**4,181,770**

11. Non-current assets - Property, plant and equipment (continued)

Parent	Plant and equipment $	Lease Improvements $	Total $
At 1 July 2007			
Cost	1,946,532	298,123	2,244,655
Accumulated depreciation	(1,477,767)	(208,560)	(1,686,327)
Net book amount	**468,765**	**89,563**	**558,328**
Year ended 30 June 2008			
Opening net book amount	468,765	89,563	558,328
Additions	2,677,980	769,580	3,447,560
Asset Disposals	(54,268)	(20,613)	(74,881)
Depreciation charge	(442,820)	(145,974)	(588,794)
Closing net book amount	**2,649,657**	**692,556**	**3,342,213**
At 30 June 2008			
Cost	3,992,267	780,254	4,772,521
Accumulated depreciation	(1,342,610)	(87,698)	(1,430,308)
Net book amount	2,649,657	692,556	3,342,213
Year ended 30 June 2009			
Opening net book amount	2,649,657	692,556	3,342,213
Additions	555,340	1,267,362	1,822,702
Asset Disposals	(27,688)	-	(27,688)
Depreciation charge	(978,118)	(381,854)	(1,359,972)
Closing net book amount	**2,199,191**	**1,578,064**	**3,777,255**
At 30 June 2009			
Cost	4,547,606	2,047,616	6,595,222
Accumulated depreciation	(2,348,415)	(469,552)	(2,817,967)
Net book amount	**2,199,191**	**1,578,064**	**3,777,255**

(a) Leased assets

Furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Leased equipment				
Cost	**62,366**	104,985	-	84,097
Accumulated depreciation	**(37,300)**	(81,290)	-	(72,794)
Net book amount	**25,066**	23,695	-	11,303

(b) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent entity and its controlled entities.

12. Non-current assets - Deferred tax assets

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
The balance comprises temporary differences attributable to:				
Doubtful debts	**145,689**	136,438	**121,150**	101,908
Employee benefits	**673,359**	538,543	**631,613**	462,272
Expense provisions and accruals	**318,425**	237,380	**266,018**	196,272
Total deferred tax assets	**1,137,473**	912,361	**1,018,781**	760,452
Movements:				
Opening balance at 1 July 2008	**912,361**	552,268	**760,452**	320,390
Credited/(charged) to the income statement (note 7)	**225,112**	340,909	**258,329**	440,062
Acquisition of subsidiary (note 27)	**-**	19,184	**-**	-
Closing balance at 30 June 2009	**1,137,473**	912,361	**1,018,781**	760,452
Deferred tax assets to be recovered within 12 months	**843,573**	680,005	**750,550**	560,679
Deferred tax assets to be recovered after more than 12 months	**293,900**	232,356	**268,231**	199,773
	1,137,473	912,361	**1,018,781**	760,452

13. Non-current assets - Intangible assets

Consolidated	Goodwill $	Domain names and other $	Intangible asset: Database $	Total $
At 1 July 2007				
Cost	65,196,343	588,900	-	65,785,243
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**65,196,343**	**588,900**	**-**	**65,785,243**
Year ended 30 June 2008				
Opening net book amount	65,196,343	588,900	-	65,785,243
Additions	-	110,768	-	110,768
Acquisition of subsidiary	11,176,265	2,639	1,163,513	12,342,417
Closing net book amount	**76,372,608**	**702,307**	**1,163,513**	**78,238,428**
At 30 June 2008				
Cost	76,372,608	702,307	1,163,513	78,238,428
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**76,372,608**	**702,307**	**1,163,513**	**78,238,428**

13. Non-current assets - Intangible assets (continued)

Consolidated	Goodwill $	Domain names and other $	Intangible asset: Database $	Total $
Year ended 30 June 2009				
Opening net book amount	76,372,608	702,307	1,163,513	78,238,428
Additions	-	30,329	1,613	31,942
Amortisation charge	-	(280,810)	(214,924)	(495,734)
Closing net book amount	**76,372,608**	**451,826**	**950,202**	**77,774,636**
At 30 June 2009				
Cost	76,372,608	732,636	1,165,126	78,270,370
Accumulated amortisation and impairment	-	(280,810)	(214,924)	(495,734)
Net book amount	**76,372,608**	**451,826**	**950,202**	**77,774,636**

Parent	Domain names and other $	Total $
At 1 July 2007		
Cost	570,821	570,821
Accumulated amortisation and impairment	-	-
Net book amount	570,821	570,821
Year ended 30 June 2008		
Opening net book amount	570,821	570,821
Additions	109,383	109,383
Closing net book amount	680,204	680,204
At 30 June 2008		
Cost	680,204	680,204
Accumulated amortisation and impairment	-	-
Net book amount	**680,204**	**680,204**
Year ended 30 June 2009		
Opening net book amount	680,204	680,204
Additions	31,900	31,900
Amortisation charge	(272,082)	(272,082)
Closing net book amount	**440,022**	**440,022**
At 30 June 2009		
Cost	712,104	712,104
Accumulated amortisation and impairment	(272,082)	(272,082)
Net book amount	**440,022**	**440,022**

(a) Impairment tests for goodwill

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

	Australia $	Total $
2009		
Online Advertising	61,222,700	61,222,700
Data and Research	15,149,908	15,149,908
	76,372,608	**76,372,608**
2008		
Online Advertising	61,222,700	61,222,700
Data and Research	15,149,908	15,149,908
	76,372,608	**76,372,608**

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

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

	Growth rate**		Discount rate***	
CGU	2009 %	2008 %	2009 %	2008 %
Online advertising	**2.5**	2.5	**9.0**	9.9
Data and Research	**2.5**	2.5	**9.0**	9.9

Value-in-use calculation is based on segment EBITDA as disclosed and set out in note 4(b).

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

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

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments in which they operate.
No impairment charge has been recognised in the current financial year. Management do not consider that a reasonable change in any of the key assumptions would lead to impairment.

14. Current liabilities - Payables

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Trade payables	**2,099,337**	3,997,591	**2,001,508**	2,983,119
Amounts due to subsidiaries	**-**	-	**10,396,959**	2,449,148
Accrued expenses	**5,068,537**	4,510,530	**4,583,147**	3,183,575
Other payables	**196,452**	-	**98,869**	-
	7,364,326	8,508,121	**17,080,483**	8,615,842

Details of relaled party payables are disclosed under note 26.

15. Current liabilities - Interest bearing liabilities

	Consolidated		Parent Entity	
Secured	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Hire purchase liabilities (note 25)	**12,129**	38,764	-	18,500
Cash advance facility	-	18,410,801	-	18,410,801
Total secured current borrowings	**12,129**	18,449,565	-	18,429,301
Total current borrowings	**12,129**	18,449,565	-	18,429,301

(a) Risk exposures

Cash advance facility has been drawn against as a source of long-term financing on a needs basis. They expire on the 16 January 2012. The interest is paid in arrears on maturity of the advance.
Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

(b) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 18.

16. Current liabilities - Provisions

	Consolidated		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Employee benefits	**1,264,865**	968,790	**1,211,273**	874,999

17. Current liabilities - Other current liabilities

	Consolidated		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Deferred revenue see note 1(e)	**3,003,212**	2,354,149	**1,488,537**	1,201,063

18. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Cash advance facility	**18,766,593**	-	**18,766,593**	-

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Lease liabilities	**12,129**	38,764	**-**	18,500
Cash advance facility	**18,766,593**	18,410,801	**18,766,593**	18,410,801
Total secured liabilities	**18,778,722**	18,449,565	**18,766,593**	18,429,301

Hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

		Consolidated		Parent Entity	
	Notes	2009 $	2008 $	2009 $	2008 $
Current					
Floating charge					
Cash and cash equivalents	8	**15,729,445**	7,794,492	**13,099,062**	3,758,280
Receivables	9	**12,377,651**	11,736,543	**14,815,026**	7,797,859
Total current assets pledged as security		**28,107,096**	19,531,035	**27,914,088**	11,556,139
Non-current					
Floating charge					
Other financial assets	10	**-**	-	**80,020,093**	-
Plant and equipment	11	**4,181,770**	4,725,776	**3,777,255**	3,342,213
		4,181,770	4,725,776	**83,797,348**	3,342,213
Total non-current assets pledged as security		**4,181,770**	4,725,776	**83,797,348**	3,342,213
Total assets pledged as security		**32,288,866**	24,256,811	**111,711,436**	14,898,352

(b) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	At 30 June 2009		At 30 June 2008	
Group	Carrying amount $	Fair value $	Carrying amount $	Fair value $
On-balance sheet				
Non-traded financial liabilities				
Cash advance facility	**18,766,593**	**18,766,593**	18,410,801	18,410,801
Lease liabilities	**12,129**	**12,129**	38,764	38,764
	18,778,722	**18,778,722**	18,449,565	18,449,565
Parent entity				
On-balance sheet				
Non-traded financial liabilities				
Cash advance facility	18,766,593	18,766,593	18,410,801	18,410,801
Lease liabilities	-	-	18,500	18,500
	18,766,593	18,766,593	18,429,301	18,429,301

(c) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

19. Non-current liabilities - Provisions

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Employee benefits	**979,667**	774,519	**894,102**	665,911

20. Contributed equity

(a) Share capital

	Consolidated		Parent Entity	
	2009 Shares	2008 Shares	2009 $	2008 $
Ordinary shares				
Fully paid	**230,489,134**	229,854,134	**62,292,936**	61,774,686
	230,489,134	229,854,134	**62,292,936**	61,774,686

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2007	Opening balance	227,626,800		60,590,676
July 2007	Exercise of employee options	60,000	$0.20	12,000
July 2007	Exercise of employee options	75,000	$0.35	26,250
July 2007	Exercise of employee options	55,000	$0.70	36,000
August 2007	Exercise of employee options	10,000	$0.20	2,000
August 2007	Exercise of employee options	100,000	$0.70	70,000
August 2007	Exercise of employee options	133,000	$1.05	139,650
September 2007	Exercise of employee options	60,000	$0.70	42,000
October 2007	Exercise of employee options	20,000	$0.20	4,000
October 2007	Exercise of employee options	285,000	$0.70	199,500
October 2007	Exercise of employee options	133,000	$1.05	139,650
November 2007	Transfer from share-based payments reserve			146,899
November 2007	Exercise of employee options	68,334	$0.20	13,667
November 2007	Exercise of employee options	500,000	$0.35	175,000
November 2007	Exercise of employee options	330,000	$0.70	231,000
November 2007	Exercise of employee options	133,000	$1.05	139,650

Date	Details	Number of shares	Issue price	$
January 2008	Exercise of employee options	140,000	$0.20	28,000
February 2008	Exercise of employee options	75,000	$0.20	15,000
March 2008	Exercise of employee options	25,000	$0.20	5,000
March 2008	Exercise of employee options	20,000	$0.70	14,000
April 2008	Exercise of employee options	5,000	$0.20	1,000
	Transfer to share-based payments reserve			(256,256)
30 June 2008	**Balance**	**229,854,134**		**61,774,686**
1 July 2008	Opening balance	229,854,134		61,774,686
August 2008	Exercise of employee options	75,000	$1.05	78,750
November 2008	Exercise of employee options	10,000	$0.20	2,000
March 2009	Exercise of employee options	75,000	$1.05	78,750
March 2009	Exercise of employee options	75,000	$1.05	78,750
April 2009	Exercise of employee options	400,000	$0.70	280,000
30 June 2009	**Balance**	**230,489,134**		**62,292,936**

(c) Ordinary shares

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

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

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 31.

(e) Options

Information relating to the carsales.com Ltd Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 31.

(f) Capital risk management

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

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

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheets) less cash and cash equivalents including trade and other receivables. Total capital is calculated as 'equity' as shown in the balance sheets (including minority interest) plus net debt.

The gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Total borrowings	**26,143,048**	26,957,686	**25,450,117**	24,595,995
Less: cash and cash equivalents	**(28,107,096)**	(19,531,035)	**(23,149,060)**	(11,556,139)
Net debt	**(1,964,048)**	7,426,651	**2,301,057**	13,039,856
Total equity	**76,005,303**	67,753,577	**72,080,763**	64,978,626
Total capital	**74,041,255**	75,180,228	**74,381,820**	78,018,482
Gearing ratio	**(3)%**	10 %	**3 %**	17 %

21. Reserves and retained profits (accumulated losses)

(a) Reserves

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Share-based payment reserve	**1,914,443**	1,270,848	**1,914,443**	1,270,848
Foreign currency translation reserve	**25,273**	10,884	**-**	-
	1,939,716	1,281,732	**1,914,443**	1,270,848
Movements				
Share-based payments reserve				
Balance 1 July	**1,270,848**	303,025	**1,270,848**	303,025
Option expense	**643,595**	858,216	**643,595**	858,216
Transfer from share capital (options exercised)	**-**	109,607	**-**	109,607
Balance 30 June	**1,914,443**	1,270,848	**1,914,443**	1,270,848

(b) Retained profits

Movements in retained profits (accumulated losses) were as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Balance 1 July	**4,697,160**	2,727,313	**1,933,092**	1,007,640
Net profit for the year	**30,674,501**	18,730,834	**29,539,303**	17,686,439
Dividends	**(23,599,011)**	(16,760,987)	**(23,599,011)**	(16,760,987)
Balance 30 June	**11,772,650**	4,697,160	**7,873,384**	1,933,092

(c) Nature and purpose of reserves

(i) Share-based payment reserve

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

22. Dividends

(a) Ordinary shares

	Parent Entity 2009 $	Parent Entity 2008 $
Final ordinary dividend for the year ended 30 June 2008 of 4.75 cents (2007 3.9 cents and special dividend 2.1 cents per fully paid share)		
Fully franked (2008 - fully franked) based on tax paid @30%	**10,922,109**	13,772,948
Interim ordinary dividend for the year ended 30 June 2009 of 5.5 cents (2008 - 1.3 cents) per fully paid share paid on 24 April 2009		
Fully franked (2008 - fully franked) based on tax paid @30%	**12,676,902**	2,988,039
Total dividends provided for or paid	**23,599,011**	16,760,987
Paid in cash	**23,599,011**	16,760,987

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 - 30%)	**7,006,775**	6,830,339	**4,059,176**	3,882,740

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date. The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

23. Key management personnel disclosures

(a) Directors

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

(i) Chairman - non-executive

W Pisciotta

(ii) Executive directors

G Roebuck

(iii) Non-executive directors

R Collins
I Law
P O'Sullivan
J Browne
A MacKenzie

23. Key management personnel disclosures (continued)

(b) Other key management personnel

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

C McIntyre	**Chief Financial Officer, joint Company Secretary**	**carsales.com Ltd**
S Pettiona	**Chief Operating Officer**	**carsales.com Ltd**
D Hardy	**General Manager Data & Research**	**carsales.com Ltd**
G Taylor	**General Manager Non Automotive**	**Pentana Solutions Pty Ltd**

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	**2,137,341**	1,765,320	**2,137,241**	1,765,320
Post-employment benefits	**86,438**	108,961	**86,438**	108,961
Share-based payments	**390,235**	302,973	**390,235**	302,973
Long term employment benefits	**141,814**	51,741	**141,814**	51,741
	2,755,828	2,228,995	**2,755,728**	2,228,995

Detailed Remuneration Disclosures are provided in sections A-D of the remuneration report on pages 14 to 22.

(i) Options holdings

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

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exerciseable	Unvested
Name							
Directors of carsales.com Ltd							
W Pisciotta	125,000	125,000	-	-	250,000	125,000	125,000
R Collins	125,000	125,000	-	-	250,000	125,000	125,000
G Roebuck	1,300,000	400,000	(400,000)	-	1,300,000	500,000	800,000
P O'Sullivan	93,750	93,750	-	-	187,500	93,750	93,750
J Browne	93,750	93,750	-	-	187,500	93,750	93,750
I Law	93,750	93,750	-	-	187,500	93,750	93,750
A MacKenzie	93,750	93,750	-	-	187,500	93,750	93,750
Other key management personnel of the Group							
D Hardy	175,000	200,000	(75,000)	-	300,000	-	300,000
G Taylor	175,000	200,000	(75,000)	-	300,000	-	300,000
C McIntyre	225,000	200,000	-	-	425,000	125,000	300,000
S Pettiona	200,000	200,000	-	-	400,000	100,000	300,000

2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and	Unvested
Name							
Directors of carsales.com Ltd							
W Pisciotta	133,000	125,000	(133,000)	-	125,000	-	125,000
R Collins	283,000	125,000	(283,000)	-	125,000	-	125,000
G Roebuck	1,400,000	400,000	(500,000)	-	1,300,000	500,000	800,000
P O'Sullivan	-	93,750	-	-	93,750	-	93,750
J Browne	-	93,750	-	-	93,750	-	93,750
I Law	-	93,750	-	-	93,750	-	93,750
A MacKenzie	-	93,750	-	-	93,750	-	93,750
Other key management personnel of the Group							
D Hardy	200,000	100,000	(125,000)	-	175,000	-	175,000
G Taylor	75,000	100,000	-	-	175,000	-	175,000
K Carollo	75,000	-	-	-	75,000	-	75,000
C McIntyre	-	225,000	-	-	225,000	-	225,000
S Pettiona	-	200,000	-	-	200,000	-	200,000

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

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	37,107,137	-	-	37,107,137
R Collins	3,586,500	-	50,000	3,636,500
G Roebuck	10,014,055	400,000	-	10,414,055
Other key management personnel of the Group				
Ordinary shares				
D Hardy	325,000	75,000	-	400,000
C McIntyre	-	-	15,000	15,000
G Taylor	8,441,555	75,000	-	8,516,555
S Pettiona	1,485,714	-	-	1,485,714

23. Key management personnel disclosures (continued)

2008	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	36,959,137	133,000	15,000	37,107,137
R Collins	2,875,000	283,000	428,500	3,586,500
G Roebuck	9,514,055	500,000	-	10,014,055
Other key management personnel of the Group				
Ordinary shares				
D Hardy	200,000	125,000	-	325,000
G Taylor	8,441,555	-	-	8,441,555
S Pettiona	1,485,714	-	-	1,485,714

(d) Loans to key management personnel

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

(e) Other transactions with key management personnel

(i) Directors of carsales.com Ltd

The following directors: W Pisciotta, G Roebuck and former director G Taylor, are shareholders in Pentana Solutions P/L. W Pisciotta and G Roebuck are also directors of Pentana, which entered into a contract with carsales.com Ltd in 2000 for the supply of data and services (including supply of personnel, premises, plant and equipment). Under the contract, Pentana supplies data for the exclusive use of carsales.com Ltd in return for a percentage of revenues. Pentana supplies other services at actual cost, or actual cost plus a fixed markup percentage. Interest is payable on balances owing to Pentana for longer than 45 days at a rate of 2% plus the National Australia Bank indicator rate. The term of the contract is 10 years from March 2000.

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

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

The following Directors: I Law, P O'Sullivan, J Browne and A MacKenzie hold positions of influence in PBL Media, which has a 50% ownership interest in ninemsn Pty Ltd (9msn). 9msn provides services to the Group including online distribution and marketing, internet hosting and advertising sales in return for commissions and fees.

Aggregate amounts of each of the above types of other transactions with directors of carsales.com Ltd and their director related entities:

	2009 $	2008 $
Amounts recognised as revenue		
Charges for supply of services	**3,730,050**	2,746,867
	3,730,050	2,746,867
Amounts recognised as expense		
Charges for supply of services	**5,625,979**	5,139,186
	5,625,979	5,139,186

Aggregate amounts of assets at balance date relating to the above types of other transactions with key management personnel of the Group:

	2009 $	2008 $
Current receivables	**100,470**	703,459

Aggregate amounts payable to director related entities of the Group at balance date relating to the above types of other transactions:

	2009 $	2008 $
Current liabilities	**485,242**	570,526

24. Renumeration 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:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**174,260**	173,667	**174,260**	173,667
Total remuneration for audit services	**174,260**	173,667	**174,260**	173,667
(b) Non-audit services				
Audit-related services				
Due diligence and controls assurance services	**200,548**	99,604	**200,548**	99,604
Total remuneration for audit related services	**200,548**	99,604	**200,548**	99,604
Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	**53,000**	64,500	**53,000**	64,500
Tax consulting and tax advice	**157,030**	225,740	**157,030**	225,740
Total remuneration for non-audit services	**210,030**	290,240	**210,030**	290,240
	584,838	563,511	**584,838**	563,511

25. Commitments

(i) Non-cancellable operating leases

The Group leases offices under non-cancellable operating leases expiring within 5 years. On renewal, the terms of the leases are renegotiated.

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

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,752,851**	684,465	**1,653,699**	684,465
Later than one year but not later than five years	**4,252,941**	5,692,361	**4,166,900**	5,692,361
	6,005,792	6,376,826	**5,820,599**	6,376,826

(ii) Hire Purchase Agreements

The Group leases various plant and equipment with a cost value of $62,366 (2008 - $104,985) under hire purchase agreements expiring within 1 year. The Group will acquire full title to the assets on expiry of the hire purchase agreements.

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Commitments in relation to finance leases are payable as follows:				
Within one year	**12,129**	27,914	**-**	18,500
Later than one year but not later than five years	**-**	12,129	**-**	-
Minimum lease payments	**12,129**	40,043	**-**	18,500
Future finance charges	**-**	(1,279)	**-**	-
Recognised as a liability	**12,129**	38,764	**-**	18,500
Total lease liabilities	**12,129**	38,764	**-**	18,500
Representing lease liabilities:				
Current (note 15)	**12,129**	26,635	**-**	18,500
Non-current (note 18)	**-**	12,129	**-**	-
	12,129	38,764	**-**	18,500

The weighted average interest rate implicit in the hire purchase agreements is 6% (2008 - 6%).

26. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 28.

(b) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Sales of goods and services				
Sale of services to related parties	**3,686,057**	2,746,868	**138,401**	-
Purchases of goods				
Purchases of services from related parties	**2,783,430**	4,689,186	**995,581**	1,695,546
Purchases of services from subsidiaries	**-**	-	**36,200**	80,323

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

27. Business combination

Current period

(a) No business combinations have occurred in the current period.

Prior period

(a) Summary of acquisition

On 31 August 2007 carsales.com Ltd acquired 100% of the issued share capital of Automotive Data Services Pty Ltd which is principally involved in providing pricing and identification data to the automotive, insurance and finance industries for a net cash consideration of $12,000,000.

The acquired business contributed revenues of $3,228,062 and net profit of $433,717 to the Group for the period from 1 September 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the year ended 30 June 2008 contributed to the group would have been $3,830,435 and $430,355.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Cash paid	12,000,000
Direct costs relating to the acquisition	191,993
Total purchase consideration	12,191,993
Fair value of net identifiable assets acquired (refer to (c) below)	1,015,728
Goodwill (refer to (c) below and note 13)	**11,176,265**

(b) Cash flow information

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	-	12,191,993	-	12,191,993
Less: Cash acquired	-	218,355	-	-
Outflow of cash	-	11,973,638	-	12,191,993

At the date of acquisition there was an amount of $384,740 owing to carsales.com Ltd from Automotive Data Services Pty Ltd which was deemed not recoverable and therefore capitalised as part of the cost of the investment. Subsequently, this amount was repaid and has been adjusted to the cost of the investment in the parent entity in the current year.

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash & cash equivalents	218,355	218,355
Trade receivables	321,196	321,196
Plant and equipment	258,898	258,898
Intangible assets: Database	981,547	1,163,513
Intangible assets: Other	2,639	2,639
Other assets	99,674	99,674
Employee benefit liabilities, including superannuation	(883,754)	(883,754)
Other liabilities	(183,977)	(183,977)
Deferred tax asset	19,184	19,184
Net assets	**833,762**	**1,015,728**

28. Subsidiaries

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

			Equity holding	
Name of entity	Country of incorporation	Class of shares	2009 %	2008 %
Webpointclassifieds Pty Ltd	Australia	Ordinary	**100**	100
Equipment Research Group Pty Ltd	Australia	Ordinary	**100**	100
Discount Vehicles Australia Pty Ltd	Australia	Ordinary	**100**	100
Automotive Data Services Pty Ltd	Australia	Ordinary	**100**	100
Auto Information Limited	New Zealand	Ordinary	**100**	100
Red Book Automotive Services (M) Sdn Bhd	Malaysia	Ordinary	**100**	100
Red Book Automotive Data Services (Beijing) Limited	China	Ordinary	**100**	100
Automotive Data Services (Thailand) Company Limited	Thailand	Ordinary	**100**	100

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

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Profit for the year	**30,674,501**	18,730,834	**29,539,303**	17,686,439
Depreciation and amortisation	**2,101,541**	809,981	**1,632,054**	588,794
(Gain) / Loss on sale of assets	**(26,029)**	74,880	**(15,000)**	74,878
Non-cash employee benefits expense - share-based payments	**643,595**	858,216	**512,458**	858,216
Change in operating assets and liabilities				
(Increase) in trade debtors	**(1,490,201)**	(2,632,672)	**(2,459,359)**	(2,229,252)
(Increase) in deferred tax asset	**(225,112)**	(360,093)	**(258,329)**	(440,062)
(Increase) in other operating assets	**849,094**	(830,789)	**697,890**	(616,181)
Increase in trade creditors	**(1,249,192)**	3,215,849	**(694,137)**	2,779,624
Increase in other operating liabilities	**754,459**	2,298,996	**1,498,441**	(779,857)
Increase in provision for income taxes payable	**187,549**	(1,530,714)	**(329,611)**	(1,426,605)
Increase in other provisions	**501,223**	658,633	**564,465**	778,785
Net cash inflow (outflow) from operating activities	**32,721,428**	21,293,121	**30,688,175**	17,274,779

30. Earnings per share

	Consolidated	
	2009 Cents	2008 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**13.3**	8.2
Profit attributable to the ordinary equity holders of the company	**13.3**	8.2

(b) Diluted earnings per share

	Consolidated	
	2009 Cents	2008 Cents
Profit from continuing operations attributable to the ordinary equity holders of the company	**13.0**	8.0
Profit attributable to the ordinary equity holders of the company	**13.0**	8.0

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

	Consolidated	
	2009 $	2008 $
Basic earnings per share		
Profit from continuing operations	**30,674,501**	18,730,834
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**30,674,501**	18,730,834

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

	Consolidated	
	2009 $	2008 $
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**230,007,051**	228,981,662
Adjustments for calculation of diluted earnings per share:		
Vested Options	**5,974,166**	4,256,666
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**235,981,217**	233,238,328

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the carsales.com Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 31.

31. Share-based payments

(a) Employee Option Plan

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

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

Options granted under the plan carry no dividend or voting rights.
When exercisable, each option is convertible into one ordinary share in return for payment of the option price. The exercise price of options is set in advance by the Board of Directors.

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity - 2009								
Jul 2000	Jul 2010	$0.20	106,666	-	(10,000)	-	96,666	96,666
Jun 2006	Nov 2010	$0.70	610,000	-	(400,000)	-	210,000	210,000
Dec 2006	Dec 2011	$0.70	100,000	-	-	-	100,000	100,000
Feb 2007	Nov 2011	$1.05	925,000	-	(225,000)	-	700,000	700,000
Jul 2007	Jun 2014	$1.75	260,000	-	-	(5,000)	255,000	255,000
Aug 2007	Aug 2012	$1.75	225,000	-	-	-	225,000	225,000
Oct 2007	Oct 2011	$1.75	37,500	-	-	-	37,500	37,500
Oct 2007	Oct 2011	$2.15	625,000	-	-	-	625,000	625,000
Oct 2007	Oct 2012	$2.15	1,367,500	-	-	(50,000)	1,317,500	-
Sep 2008	Sep 2012	$2.00	-	625,000	-	-	625,000	-
Sep 2008	Sep 2012	$2.15	-	52,500	-	-	52,500	-
Sep 2008	Sep 2013	$2.00	-	1,410,000	-	-	1,410,000 -	
Jul 2009	Sep 2014	$2.00	-	320,000	-	-	320,000	-
Total			**4,256,666**	**2,407,500**	**(635,000)**	**(55,000)**	**5,974,166**	**2,249,166**
Weighted average exercise price			$1.57	$2.00	$0.82	$2.11	$1.82	$1.43

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity - 2008								
Jul 2000	Jul 2010	$0.20	585,000	-	(423,334)	(55,000)	106,666	106,666
Aug 2004	Aug 2009	$0.35	500,000	-	(500,000)	-	-	-
Dec 2004	Aug 2009	$0.35	75,000	-	(75,000)	-	-	-
Jun 2006	Nov 2010	$0.70	1,192,500	-	(582,500)	-	610,000	610,000
Oct 2006	Oct 2010	$1.05	272,500	-	(272,500)	-	-	-
Dec 2006	Dec 2011	$0.70	100,000	-	-	-	100,000	100,000
Oct 2006	Nov 2010	$0.70	399,000	-	(399,000)	-	-	-
Feb 2007	Nov 2011	$1.05	925,000	-	-	-	925,000	-
Jul 2007	Jun 2014	$1.75	-	260,000	-	-	260,000	-
Aug 2007	Aug 2012	$1.75	-	225,000	-	-	225,000	-
Oct 2007	Oct 2011	$1.75	-	37,500	-	-	37,500	-
Oct 2007	Oct 2011	$2.15	-	625,000	-	-	625,000	-
Oct 2007	Oct 2012	$2.15	-	1,367,500	-	-	1,367,500	-
Total			**4,049,000**	**2,515,000**	**(2,252,334)**	**(55,000)**	**4,256,666**	**816,666**
Weighted average exercise price			$0.61	$2.07	$0.44	$0.20	$1.57	$0.61

The Director's estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2009 is estimated to be approx $1.75 (2008: approx $1.75). The Directors note that carsales.com Ltd is an unlisted entity with equities that are rarely traded in any meaningful volume. The share price disclosed here is an estimate based on available information.

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.28 years (2008 - 3.75 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 ranged between $0.16 and $0.36 per option (2008 - between $0.41 and $0.55). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.
The model inputs for options granted during the year ended 30 June 2009 included:

(a) options are granted for no consideration. For vesting dates refer page 18.
(b) exercise price: $2.00 and $2.15 (2008 - $1.75 and $2.15)
(c) grant date: September 2008 and July 2009 (2008: July 2007, August 2007, October 2007)
(d) expiry date: September 2012, September 2013, September 2014
(e) share price at grant date: $1.75 and $2.20 (2008 - $1.75)
(f) expected price volatility of the company's shares: 35% (2008 - 35%)
(g) expected dividend yield: 7.3% (2008 - 1%)
(h) risk-free interest rate: 4.11% (2008 - 5.96%).

The expected price volatility is based on publicly available information for companies considered to be omparable to carsales.com Ltd.

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

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 32 to 73 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional
reporting requirements, and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of their operations, changes in equity and its cash flows, for the financial year ended on that date; and

(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, and

This declaration is made in accordance with a resolution of the directors.

Melbourne
18 August 2009

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of carsales.com Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both carsales.com Limited and the carsales.com Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

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

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

Independence

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

Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of carsales.com Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

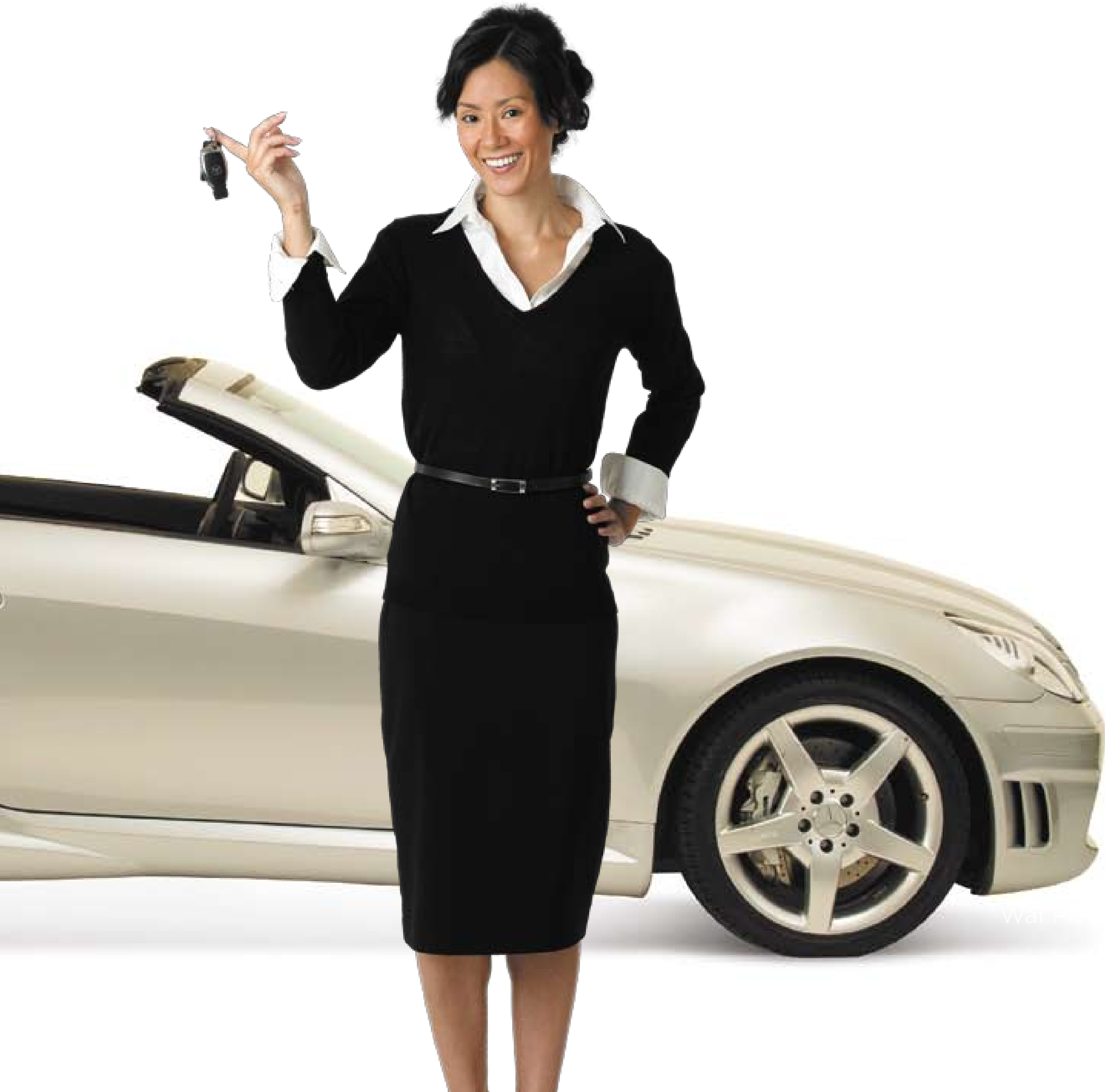
PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
18 August 2009

"Staff levels have increased again this year as we continue to gear up for more growth and to deliver the numerous new initiatives we have underway."

Greg Roebuck



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