

Annual Report 2014



Corporate directory

Directors

Wal Pisciotta

Non-Executive Chairman

Greg Roebuck

Managing Director

Richard Collins

Non-Executive Deputy Chairman

Ian Law

Non-Executive Director - from beginning of the year until retired 30 September 2013

Jeffrey Browne

Non-Executive Director - appointed 16 December 2013

Pat O'Sullivan

Non-Executive Director

Kim Anderson

Non-Executive Director

Steve Kloss

Alternate Non-Executive Director

Company secretary

Cameron McIntyre

Principal registered office in Australia

Level 4, 449 Punt Road
Richmond Vic 3121

T: +61 3 9093 8600

F: +61 3 9093 8697

W: www.carsales.com.au

Share registry

Computershare Ltd
452 Johnston Street
Abbotsford Vic 3067

T: +61 3 9415 4000

F: +61 3 9473 2500

W: www.computershare.com

External auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Stock exchange

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

ASX: CRZ

carsales.com Ltd
Annual report - 30 June 2014

Contents

	Page
Chairman's letter to shareholders	7
Managing Director's review of operations	9
Directors' report	13
Corporate Governance Statement	43
Financial report	55
Directors' declaration	99
Independent auditor's report to the members	100
Shareholder information	102

Results for Announcement to the Market

Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Up	10%	to	235,602
Profit from ordinary activities after tax attributable to members	Up	14%	to	95,457
Net profit for the period attributable to members	Up	14%	to	95,457
Dividends / Distributions		Amount per security		Franked amount per security
2013 Final Dividend paid		15.6 cents		15.6 cents
2014 Interim Dividend paid		14.7 cents		14.7 cents
2014 Final Dividend declared		17.4 cents		17.4 cents

Record date for determining entitlements to the dividends
Dividend payable

1st October 2014
 22nd October 2014

Net tangible assets

Net tangible assets backing per ordinary share is 39.99 cents (2013: 30.20 cents)

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2014 Financial Report.

“With combined new car sales volumes of close to 10 million units each year across these markets, the prospects for strong long-term growth are immense.”

Wal Pisciotta



carsales.com.au
It's No. 1

SUBLOT

Chairman's Letter to shareholders

Chairman's letter to shareholders

Dear Shareholders,

The Board is pleased to present to shareholders the carsales.com Ltd's Annual Report for the financial year ending 30 June 2014. It has been a year of significant achievement and transformation at carsales and yet again we are pleased to be presenting to shareholders another year of exceptional financial performance.

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

- **Revenue up 10% on previous corresponding period (pcp) from \$215.1m to \$235.6m.**
- **Profit (EBITDA) up 15% on pcp from \$120.1m to \$138.4m.**
- **EBITDA margins rising on pcp from 55.8% to 58.7%.**
- **Net profit (after tax) attributable to owners of carsales.com Ltd up 14% on pcp from \$83.5m to \$95.5m.**
- **Operating cash flow up 11% on pcp from \$89.1m to \$98.7m.**

The Board has declared a final 2014 dividend of 17.4 cents per share fully franked, taking the total dividends paid for the year to 32.1 cents per share. The dividend payment will have a record date of 1 October 2014 and a payment date of 22 October 2014.

Each year I wonder at what point my letter to shareholders will start to become a little repetitive and every year the biggest problem I seem to have is how to squeeze a year of very significant activity into just a number of short paragraphs, so here goes once again...

FY2014 will be marked as a year that amongst many things put us firmly on the global stage. With the completion of high growth investments in Brazil (Webmotors) and South Korea (SKENCARSALES) along with our continued support in South East Asia (iCar), we now have a portfolio of meaningful investments in some of the fastest evolving car markets in the world. With combined new car sales volumes of close to 10 million units each year across these markets, the prospects for strong long-term growth are immense.

On the domestic front we have continued to be very busy developing both new and existing market opportunities. Our investment in Tyresales.com.au has shown good signs of material potential to build a meaningful position in the \$5 billion tyre market. Likewise, our most recent announcement of the investment in Stratton Finance will strengthen our current position in the private to private finance arena and in not just cars, but across many of our other market leading verticals.

Our core business remains and will continue to remain the area of greatest focus. Once again we have demonstrated the enormous capacity of our people to develop new products and features that delight our customers and consumers while at the same time continuing to set us apart from our competition.

With such significant organic and inorganic growth over the twelve months, the Board has been very conscious of the stretch on management resources. One of the ways in which we have been addressing this has been by regularly spending time with executives from right across the Company and I am pleased to report to shareholders that Greg has done an excellent job in building and developing a team of such great depth and talent. As a Board we are confident that we will meet all the exciting challenges these growth opportunities will avail.

While the past twelve months have been marked by significant progress and achievement they have not been without tragedy and we mourned the loss of a number of close colleagues, including Mr Ian Law who lost his battle with cancer in September last year. Ian had served on the Board on more than one occasion since 2007 and he continues to be greatly missed by all his friends at carsales.

In December last year we were also very fortunate to welcome back to the carsales Board Mr Jeffrey Browne. Jeffrey's legal background and in depth knowledge of both the advertising and media markets, as well as his experience in the automotive industry are a significant asset to the Board and we are very pleased to have him back.

I say this every year and will say it once again and that is that carsales.com Ltd continues to be very well positioned for the future. We have many exciting initiatives that we look forward to bringing to market over the coming months that will enable us to continue extending and reinforcing our core capabilities while enabling the ongoing evolution and strength of our people and culture.

On behalf of the Board of Directors, I would like to once again thank our customers for their continued endorsement and business; our shareholders for their ongoing encouragement and support and Greg Roebuck and his team for their ongoing passion, commitment and dedication to the Company producing yet another great year of significant achievement.

Yours sincerely,



Wal Pisciotta
Chairman
13 August 2014

Managing Director's
Review of operations

Managing Director's review of operations

Dear Shareholders,

FY14 was as usual, an eventful year for our great business. We've continued to make acquisitions (more on that later) and again demonstrated our focus on world class innovation to move further ahead in our marketplaces.

One of the newest members of the carsales family is www.tyresales.com.au and it's wonderful to see this new brand have an immediate impact. Historically, the Australian tyre market has been serviced by a small number of large tyre retailers. This has resulted in widely varying price points for the same tyre even within the same franchise network. It's also resulted in a lack of transparent pricing for the consumer. The tyresales.com.au business addresses these issues and offers simple, online, low cost, compelling prices for what is a very relevant purchase for our consumer base. Add to this, we have (effectively) Australia's largest fitment network: our car dealers. This is truly a win-win-win for the consumer, for the car dealer and for carsales.

This year was not without its challenges, with a number of car companies requiring their dealers to cease the listing of in-stock new cars on carsales (and other third party) websites. While we believe this shift has had negative outcomes for these brands, I'm very pleased that the team at carsales were able to respond so quickly to this policy shift and deliver solutions to meet the needs of our consumers. There's no doubt the new car marketplace continues to evolve and rest assured that carsales is at the forefront of addressing the needs of the consumer, the dealers and the car companies.

MediaMotive - responsible for display advertising across our network

As a result of this shift in new car inventory, we saw some car companies lower their ad spend owing to a perceived reduction in new car inventory. The great thing for the Company was that consumers continued to come in their droves looking for new cars. Our "BNCA" - Brand New Cars Available - product provided a great solution for consumers in their search for the perfect car irrespective of a brand's inventory policy. Our consumer traffic looking for new cars is continuing to grow every month as we remain the clear number one destination for anyone looking for cars. We're confident that with so many in-market buyers, the ad spend will follow the buyers.

The other verticals (bikesales/trucksales/boatsales/etc.) continue to benefit from the need for advertisers to reach a highly qualified in-market consumer. There is NO better place for this in Australia other than on a carsales owned site.

Mobile devices continue to proliferate and it's wonderful to be able to say that our solutions are not only market leading, but award winning. Consistently rated over 4 stars (out of 5), our apps have been downloaded literally millions of times. While the screen size of mobile means advertising opportunities are fewer, the extremely high engagement and targeted audience, are very attractive to advertisers.

International / Acquisition update

Our International operations now include DataMotive New Zealand; Redbook New Zealand, Thailand, Malaysia and China; 30% of WebMotors Brazil; 22.9% of iCar Asia (up from 19.9% a year ago) and more recently, 49.9% of SKENCARSales in Korea. We also acquired 50.1% of Stratton Finance in July 2014.

We work closely with all our International partners and while each of them are at different stages of development, we are very pleased with our progress to date. WebMotors for example has moved their operations to the "cloud" and is poised to release an updated version of their website powered by carsales proprietary search engine: Ryvus. Our Stratton Finance investment, enables us to leverage the many synergies of a burgeoning private to private market, across not just cars, but boats/bikes/caravans/etc. and provides us with a simple, cost effective, online finance offering.

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

This year saw us migrate all of our individual sites - including all mobile sites - to a common seller platform. This provides significant benefits in functionality to all of our users irrespective of which of our sites they use. A new Showcase product provides a high profile opportunity for sellers and our Premium Plus product accommodates time-poor consumers looking for a professional photo service and assistance in the sales process.

We are very proud of our vigilance and success in keeping fraud, and fraudster elements of the internet, from our site and it requires a substantial investment in technology and people, but the result is a far safer and clearly more trusted means to buy and sell. This is in stark contrast to many of our competitors who are seemingly comfortable to allow scammers to post fake ads and send fake enquiries.

Managing Director's review of operations (continued)

Dealer - the commercial seller part of the business, includes dealers of cars, trucks, motorbikes, etc.

Along with a common seller platform for consumers, we've invested in a completely new Autogate - the system our dealers use to manage their inventories and their enquiries. This new Autogate has been rolled out to all of our non-car dealer customers, with the rollout to car dealers about to commence. The improved functionality is extensive and will provide even more world class tools to help in the management of a dealer's online operations. Our non-car sites now all have the option of "pay per lead" billing, which provides truly accountable advertising.

This has been well received and ensures our business is aligned to the same objectives as those of our customers.

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

Another strong performance this year from this key part of the business. Further investment in great quality data means consumers can accurately and confidently compare cars, features, values and fit for purpose. Our high value, low cost products continue to delight our customers and add enormous value in a complex marketplace.

Watch this space...

As regularly demonstrated over the years, the carsales.com business prides itself on challenging the status-quo and delivering world leading innovations. This core part of our culture continues to be alive and well. By the time you are reading this, we will have launched the latest member of the carsales family and again it's a world first: www.pitch.com Make sure you check it out!

In closing, we've had another great year, more world class innovations, more investment in exciting markets, an even greater lead over our competitors and continued growth in all areas of the core business. As a team we strive to be the best in the world and while it is a high benchmark, I continue to be amazed and extremely proud of what truly talented people we have delivering on this objective. I'd like to publically thank each and every one of them.

Yours sincerely,



Greg Roebuck
Managing Director and CEO
13 August 2014

“Mobile devices continue to proliferate and it’s wonderful to be able to say that our solutions are not only market leading, but award winning.”

Greg Roebuck

Directors' Report

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd, the entities it controlled and the investments in associates at the end of, or during, the year ended 30 June 2014.

Directors

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

Wal Pisciotta	(Non-Executive Chairman)
Greg Roebuck	(Managing Director)
Richard Collins	(Non-Executive Deputy Chairman)
Ian Law	(Non-Executive Director - from beginning of the year until retired 30 September 2013)
Jeffrey Browne	(Non-Executive Director - appointed 16 December 2013)
Pat O'Sullivan	(Non-Executive Director)
Kim Anderson	(Non-Executive Director)
Steve Kloss	(Alternate Non-Executive Director)

Principal activities

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

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

Dividends - carsales.com Ltd

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

	2014 \$'000	2013 \$'000
Final fully franked cash dividend for the year ended 30 June 2013 of 15.6 cents (2012 - 13.2 cents) per share paid on 25 September 2013.	37,052	45,100
Interim fully franked ordinary dividend for the year ended 30 June 2014 of 14.7 cents (2013 - 12.7 cents) per share paid on 2 April 2014.	34,957	29,986
	72,009	75,086

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 \$41,408,000 (17.4 cents per fully paid ordinary share) to be paid on 22 October 2014 out of retained profits at 30 June 2014.

Operating and financial review

Group Financial Highlights

- FY2014 was another year of record financial performance with Group operating revenue rising to \$235,602,000, up 10% on the prior comparative period.
- Group earnings remained very strong with EBITDA up 15% on the prior comparative period to \$138,410,000 and EBITDA margins expanding to 59%.
- Profit attributable to the owners of carsales.com Ltd was \$95,457,000, up 14% on the prior comparative period.

carsales Domestic Highlights

- There were a number of highlights during the course of the year which contributed to the overall performance of the business including:
 - Dealer revenue up 8% on pcp overall. Key growth drivers being yield and growth in customer acquisition.
 - Mediamotive up 8% on pcp and delivering a good result in a more challenging market.
 - Private revenue grew by 12% on pcp, with a particularly strong H2 as a result of yield growth in automotive, new product and a positive contribution from tyresales.
 - Non-automotive verticals performing well.
 - Marine, industry and Caravan & Camping dealer customers moved from subscription based charging models to performance based.
 - Dealer and Data Services once again performed strongly with revenue up 14% on pcp.
- On the 15th of July the Company announced that it had acquired a 50.1% interest in Stratton Finance Pty Ltd an innovative finance business that focuses on technology and the internet as a key competitive advantage and its primary channel for new customer acquisition. stratton.com.au is now one of the highest traffic generating vehicle finance websites in Australia with over a million visitors per year.

carsales International Highlights

- The Company has recently acquired interests in online automotive advertising companies operating in high growth international markets. These interests include:
 - 49.9% in the equity of SKENCARSALES.com Ltd (South Korea) on 15/04/2014 the number one online automotive classifieds company in South Korea.
 - 30% in the equity of Webmotors SA (Brazil) on 28/06/2013 the number one online automotive classifieds company in Brazil.
 - 22.9% in the equity of iCar Asia Ltd (ASX:ICQ) on 14/03/2013 where 19.9% was acquired and a further 3% was acquired on the 05/03/2014. iCar is the largest online automotive classifieds network in South East Asia.
- **SKENCARSALES.com Ltd** - Strong revenue growth of 35% on pcp for the two and a half months since acquiring an interest in the Company in mid April 2014. Revenue growth largely as a result of growth in dealer yield. carsales share of net profit after tax was \$815,000. Significant opportunities exist in licensing carsales' world leading technology into the Korean market and good progress is being made in establishing strategic priorities.
- **Webmotors SA** - Revenue growth of 22% pcp predominately from dealer advertisement volume growth. carsales share of net profit after tax was \$4,609,000. Technology platform has been successfully migrated to Amazon allowing significant product improvement in FY15, including the adopting of carsales Ryvus search technology. Webmotors continues to grow its market share with its combined inventory (MeuCarango, CompreAuto and WebMotors) now almost double that of its closest competitor.
- **iCar Asia Ltd** - carsales share of net loss after tax is estimated to be (\$1,990,000). carsales continues to support iCar's position in Thailand, Indonesia and Malaysia evolve.

Outlook

- Domestic trading conditions in the first 6 weeks of FY2015 have remained solid. Expect to provide a more detailed trading update at the October Annual General Meeting.
- Looking forward to further growth from tyresales and Stratton albeit at lower EBITDA margins than broader carsales business. In addition, further opex in these areas as well as for our new site Pitchi, will likely result in overall EBITDA margins more aligned to FY13.
- Anticipate further developments in relation to new vehicle product offerings.
- Development of the Stratton Finance partnership onto other verticals.
- Expect to continue focus on developing the market opportunities that exist in each of the international investments.

Strategy

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

Risk

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

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

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

- Competition - the online automotive advertising industry is highly competitive. carsales' performance could be adversely affected if existing or new competitors reduce carsales' market share from its current level.
- Downturn in the motor vehicle or general advertising market - the performance of carsales will continue to be influenced by the overall condition of the motor vehicle market. The motor vehicle market is influenced by the general condition of the Australian economy, which by its nature is cyclical and subject to change. In addition, carsales derives a significant proportion of its revenue from display advertisers on its network of websites. A decline in the advertising market as a result of broader economic influences could have a negative impact on carsales' earnings.
- Information Technology - carsales' business operations rely on owned and 3rd party IT infrastructure and systems. Any interruptions to these operations could impair carsales' ability to operate its customer facing websites which could have a negative impact on carsales' performance.
- carsales' future performance will also depend on its ability to monitor and manage major projects such as website upgrades and other projects involving its IT infrastructure.
- International expansion - with the expansion of the business into new high growth international geographies the Company becomes exposed to the macro economic environment of these markets outside of the traditional markets the Company has operated in.

Significant changes in the state of affairs

During the financial year the Company continued to expand geographically by investing in South Korea's number one automotive classifieds company SKENCARSALES.com Ltd. The consideration for this investment was \$126,475,000. The Company added to its 19.9% investment in iCar Asia Ltd in March 2014 by acquiring an additional 3% (22.9% held at 30 June 2014) of the equity in the Company at a cost of \$7,179,000.

Both acquisitions were funded by a combination of cash and debt. The debt was acquired by extending an existing facility held with National Australia Bank to \$165,000,000. The facility matures on the 31 July 2017 and is expected to be repaid from excess cash.

On 15 July 2014 the Company acquired 50.1% of Stratton Finance Pty Ltd an Australian based automotive finance company.

The acquisition cost of Stratton Finance was \$59,100,000. The acquisition was funded by an additional \$60,000,000 debt facility held with National Australia Bank. This facility will mature on 1 July 2015. It is intended to review this facility with National Australia Bank during the course of the FY2015 financial year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may affect:

- (a) the Group's operations in future financial years
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Sustainability

carsales.com Ltd is committed to being a corporate citizen of good standing and implementing practical sustainability programs. carsales strives to be a green company; we aim to have the lowest possible negative impact on the global or our local environment, community, society or economy.

carsales core values of enjoyment, respect, integrity, trust, communication and honesty (ENRITCH) support the companies culture of ethical conduct. Over the past several months the Company has reviewed its sustainability programs and engaged key stakeholders throughout the Company to build focus and involvement. carsales contributes to the wider community through initiatives such as its Community Day program, where each employee undertakes a day of volunteering in the community on an annual basis. The Company is also committed to reducing its carbon footprint and is focused on areas such as waste management and becoming a paperless office environment.

People & Culture

carsales is an employer of choice and aims to continually attract and retain the most talented people that can be found in the market with the right values and expertise that fit the carsales culture.

The culture of carsales is one of inclusion, encouraged diversity and where people are provided with extensive opportunities to learn and evolve in a fast paced and dynamic business environment.

Several years ago, carsales implemented the 'carsales People Promise' which is an ongoing program and commitment of the Company to employees in the areas of culture and benefits, career development, health and wellbeing, community, work life balance and reward and recognition. Each area contains several initiatives designed towards ensuring carsales is a workplace where people work hard and are also rewarded through things other than just financial incentives.

Employee engagement at carsales is a critical success factor and over time the Company has developed a number of initiatives that build engagement. Each year all staff complete an Employee Opinion Survey (EOS) that covers areas such as reward and recognition, communication, personal development and training, business ethics, leadership and engagement. The survey results are reviewed by management and communicated to each contributing department where employees discuss results and develop strategies for continuous improvement.

Annually senior executives will conduct 'Discussion Groups' with all employees of the Company in small groups. The objective of these sessions is to provide people with a forum where they can be updated on the performance of the Company, its strategy and initiatives. People are encouraged to challenge and ask questions on these topics and feedback is discussed and actioned by senior management.

In the area of training and development there are a number of programs designed to support the learning and development of employees to support both the retention and succession of our most valuable asset being our people. Some of these programs include mentoring programs, CEO Scholarship awards and extensive availability of internal training programs.

Workplace Health & Safety

carsales is committed to providing employees with a safe and healthy working environment. The Company has an established Work, Health & Safety (WH&S) Committee and requires all employees to undertake annual WH&S training. The compliance with WH&S training is monitored to ensure everyone is well versed and continually reminded of safe working practices.

Through our health and wellbeing program within our People Promise, the Company has developed many different programs such as annual flu shots, in house massage, provision of healthy food options and counselling services to support both the physical and mental health requirements of our employees.

Community

Through the People Promise the Company has a number of different community focused initiatives designed to provide the company and employees with avenues to support both charity and community based causes.

Some of these initiatives include the provision of company wide support of charities that employees select based on need and relevance.

Over the past twelve months both the Company and employees have actively participated in raising money for:

Movember Foundation - A global men's health charity committed to changing the face of men's health. With an official presence in 21 countries, the Movember Foundation is committed to driving significant improvements for the prioritised men's health issues - prostate cancer, testicular cancer and mental health.

Peter MacCallum Cancer Institute - A major centre for cancer treatment, professional oncologist training, and oncology research in Australia.

In the area of community, employees are provided with a community day each year to enable them to participate in community based service activities. Over the past twelve months employees have participated in a number of community based activities which amongst others have supported Sacred Heart Mission, Salvation Army and the Million Paws Walk.

Diversity

carsales values a diverse and inclusive working environment and has developed programs which support this objective.

carsales has developed a 'Women in Leadership' program which is designed for women in leadership roles at carsales. The purpose of the program is to connect women from different areas in the workplace so they can share their experiences and learn from one another.

The network meets regularly to discuss the role of women in leadership, the challenges they are facing as well as techniques and opportunities to continue their personal and career growth. This will in turn create new role models at carsales while the shared learning will aid personal development and increase the possibility for career advancement.

The Company regularly runs a program called 'Lunch with a Leader', that is offered to employees and enables them to hear the stories of leaders in the community and business from diverse backgrounds and ask questions. The program is designed to build knowledge and understanding of employees that have come from various backgrounds.

Ethical Conduct and Corporate Governance Policy

carsales core values of integrity and honesty contained within the philosophy of ENRITCH are central to the culture of the business. The business through the Employee Opinion Survey (EOS) directs employees to respond to questions relating to ethical business behaviour and company performance in this area is annually assessed by management.

The Company has also developed Code of Conduct that is published on the Company shareholder website and a Whistle blower policy to ensure that employees understand their available avenues for the reporting and handling of ethical and business related issues.

Environmental regulation

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

Information on directors

Wal Pisciotta

(Non-Independent Non-Executive Chairman)

Appointed: 25 June 1996

Experience and expertise

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

Interests in shares and options

14,647,129 ordinary shares held in carsales.com Ltd.
No options or performance rights held over ordinary shares in carsales.com Ltd.

Greg Roebuck

(Managing Director)

Appointed: 25 June 1996

Experience and expertise

Greg was the original architect of carsales.com Ltd; has been on its Board since inception and Managing Director and CEO since May of 2002. Greg is a Fellow of the Australian Institute of Company Directors. He has over 30 years experience in providing technology solutions to the Australian Automotive Industry. Greg studied computer science at RMIT (Melbourne). In July 2009 Greg won the Ernst & Young Entrepreneur of the Year Award for the Southern Region of Australia in technology & emerging industries: software, hardware, telecommunications, digital media and health sciences. He then went on to win the Ernst & Young Entrepreneur of the Year Award for Australia in November 2009.

Interests in shares and options

4,988,505 ordinary shares held in carsales.com Ltd.
866,067 options and 112,992 performance rights held over ordinary shares in carsales.com Ltd.

Richard Collins

(Independent Non-Executive Deputy Chairman)

Appointed: 17 July 2000

Experience and expertise

Richard has been a director of carsales.com Ltd since 2000 and has over 35 years experience as Dealer Principal, currently holding Ford, Toyota, Subaru, Suzuki, and Isuzu Franchises. Richard holds a Bachelor of Commerce Degree from Melbourne University.

Interests in shares and options

991,750 ordinary shares held in carsales.com Ltd.
No options or performance rights held over ordinary shares in carsales.com Ltd.

Pat O'Sullivan

(Independent Non-Executive Director)

Appointed: 29 June 2007

Experience and expertise

Pat was the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd) a position he held from February 2006 before resigning on the 29th June 2012. Before that, Pat was the Chief Financial Officer of Optus, a position he held for over five years. Previously, he held a number of positions at Goodman Fielder and Burns Philp. Pat is a member of The Institute of Chartered Accountants in Ireland and The Institute of Chartered Accountants in Australia, and is a graduate of the Harvard Business School's Advanced Management Programme. He also served as a Director and Company Secretary of Nine Entertainment Co Pty Limited and was Chairman of Ninemsn. Pat is currently a non-executive director of iiNet, iSentia, Little Company of Mary Health Care and chairman of HealthEngine.

Interests in shares and options

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

Ian Law

(Independent Non-Executive Director)

Appointed: 21 April 2011

Retired: 30 September 2013

Experience and expertise

Ian was the former Chief Executive Officer of PBL Media (now Nine Entertainment Co Pty Limited). Prior to his career at PBL Media, Ian was CEO of ACP Magazines Ltd. His previous roles included Managing Director and Chief Executive Officer of West Australian Newspaper Holdings Ltd; and Chairman of Ninemsn Limited. Ian had more than 30 years experience in the publishing and broadcasting industry; and also had extensive experience in the online and digital sector.

Interests in shares and options

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

Kim Anderson

(Independent Non-Executive Director)

Appointed: 16 June 2010

Experience and expertise

Kim is the Chief Executive Officer of The Reading Room (thereadingroom.com), a community/social networking site for readers and is a Non-Executive Director of the STW Group, and a member of the Sydney University Press Advisory Board. Kim has more than 28 years experience in various advertising and media executive positions within companies such as Southern Star Entertainment, PBL and Ninemsn.

Interests in shares and options

10,000 ordinary shares held in carsales.com Ltd.
No options or performance rights held over ordinary shares in carsales.com Ltd.

Jeffrey Browne (Independent Non-Executive Director)

Appointed: 16 December 2013

Experience and expertise

Jeffrey practiced as a commercial lawyer in Sydney and Melbourne for 22 years before joining the Nine television Network, initially as Executive Director and later becoming Managing Director, with responsibility for all Network operations. His legal experience saw him involved in a wide range of matters concerning dealers and motor vehicle manufacturers as well other multi-national OEM's. Jeffrey is also Chairman of Holden Special Vehicles where he has been a director or Chairman for over 12 years. Jeffrey's media experience includes broad management responsibilities and the development and implementation of new broadcast and digital platforms.

Interests in shares and options

No ordinary shares held in carsales.com Ltd.

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

Steve Kloss (Alternate Non-Executive Director)

Appointed: 28 October 2005

Experience and expertise

Steve has more than 24 years experience in supplying computer services to the automotive industry and is currently Chief Executive Officer at Pentana Solutions Pty Ltd. Steve holds a Bachelor of Business degree from Monash University.

Interests in shares and options

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

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

Company secretary

Cameron McIntyre holds the role of Company Secretary and is the Chief Financial Officer of carsales.com Ltd. Cameron joined carsales in 2007 and has over 20 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practising Accountant and a graduate of the Harvard Business School's General Management Program.

Interests in shares and options

206,649 ordinary shares held in carsales.com Ltd.

238,763 options and 52,260 performance rights held over ordinary shares in carsales.com Ltd.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2014 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	A	B	Audit and risk		Remuneration and nomination	
			A	B	A	B
W Pisciotta (Board Chairman)	13	16	**	**	2	2
G Roebuck	16	16	**	**	**	**
R Collins (Chairman - Remuneration and Nomination)	14	16	3	4	1	2
I Law	3	5	0	1	0	1
J Browne	7	7	**	**	**	**
P O'Sullivan (Chairman - Audit and Risk management)	16	16	4	4	1	1
K Anderson	15	16	4	4	**	**
S Kloss (Alternate Director)	12	16	**	**	**	**

A = Number of meetings attended

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

** = Not a member of the relevant committee

Remuneration report

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

Principles used to determine the nature and amount of remuneration.

Details of remuneration.

Service agreements.

Share-based compensation.

Additional information.

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

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the creation of value for shareholders and conforms with market practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

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

Non-executive directors

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

Directors' fees

The current base remuneration was last approved by shareholders at the Annual General Meeting held on 26 October 2012.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum payable to be shared by all non-executive directors currently stands at \$900,000 per annum. The Directors determine how these are to be shared by the Directors.

The Board will from time to time invite a remuneration specialist to conduct a review and benchmarking of fees. The annualised fees paid to the Board are comfortably below the \$900,000 pool approved by shareholders.

The following fee table applies:

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

Executive pay

In May 2013, the Board concluded a review of the carsales.com Short-term Incentive (“STI”) and Long-term Incentive (“LTI”) programs. The review was conducted with the assistance of remuneration consultant Hay Group. The objective of the Hay Group engagement was to critically evaluate the executive incentive program in particular the LTI program to ensure that its structure:

- Supports the retention of KMPs
- Drives long-term Shareholder value creation
- Aligns broadly with the expectations of Shareholders, while at the same time not hindering the strategic objectives of the Company.

As a result of this review the Board identified a number of enhancements to the Company’s current remuneration framework outlined below including the introduction of a Deferred Short-term Incentive (“DSTI”) structure. The objective of the DSTI is to more closely align executive remuneration to best practice, strengthen alignment to long-term shareholder interests and support the longer term retention of key executives.

The executive pay and reward framework has five components:

- Base pay and benefits
- Short-term performance incentive
- Deferred Short-term Incentive
- Long-term Incentive
- Other remuneration such as superannuation.

Base pay and benefits

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

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

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

Benefits

Executives receive salary continuance insurance cover that is also provided to all other carsales employees. The policy is held with OnePath Life Ltd

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

Superannuation

Retirement benefits are provided via defined contributions to approved superannuation funds. Under current legislation carsales permits superannuation choice for all employees. The Company default superannuation fund is held with Asteron. Other retirement benefits may be provided directly by the Group if approved by shareholders.

Short-term Incentives (STI)

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

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

The Remuneration and Nomination Committee regularly considers appropriate targets and key performance indicators (KPI's) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of an STI. The Committee may also make recommendations to the Board for discretionary STI payments in rare circumstances where an executive performance warrants it.

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

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

This section of the plan also enables the executive to earn up to an additional 75% of on-target earnings for over achievement against each of the above mentioned objectives.

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

- Project delivery (15 - 50% of On-target Earnings Value): The project objectives set involve the execution of pre-determined project targets that each key executive is responsible for the delivery of. Projects will include the deployment of new products, large business initiatives or market objectives.

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

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

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

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

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

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

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

Deferred Short-term Incentive (DSTI)

Deferred Short-term Incentives (DSTI) are paid to key executives in the form of an annual award of performance rights on the achievement of the objectives outlined below and are not exercisable for a further 12 months.

The size of the DSTI opportunity available to each executive, like the STI, is based on the accountabilities and impact of the executives' role in the organisation.

The vesting of a DSTI award is linked entirely to the achievement of an Earnings Per Share (EPS) objective that is set each year by the Board. The EPS target value established takes into consideration both the annual budget earnings objectives and market determined consensus earnings expectations.

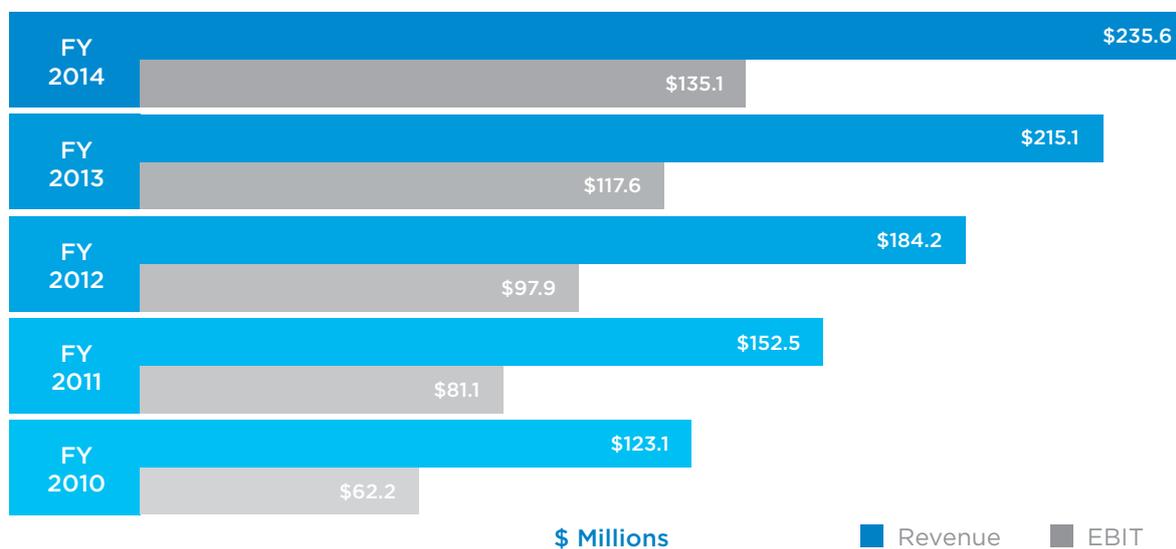
Please see share-based compensation for further information.

Long-term Incentives (LTI)

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

Group Performance

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



The EBIT excludes the share of gains and losses from associates.

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

	2010	2011	2012	2013	2014
Profit for the year attributable to owners of carsales.com Ltd (\$'000)	43,235	58,260	71,589	83,516	95,457
Basic earnings per share (cents)	18.6	25.0	30.6	35.5	40.2
Dividend payments (\$'000)	33,408	41,346	51,035	75,086	72,009
Dividend payout ratio (%)	77.3	71.0	71.3	89.9	75.4
Increase/(decrease) in share price (%)	19.3	(1.3)	27.7	57.2	15.5
Total KMP incentives as percentage of profit for the year (%)	4.0	4.2	4.4	3.4	3.8

Details of Remuneration

Amounts of remuneration

Details of the remuneration of directors, key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of carsales.com Ltd and the carsales.com Ltd Group are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "Short-term Incentives" and "Deferred Short-term Incentives" above and payments against performance caps are set out below. LTI's are dependent on the satisfaction of EPS and employment conditions as set out in the section headed "Share-based payments" later in the report. All other elements of remuneration are not directly related to performance.

The key management personnel of the Group are the Directors of carsales.com Ltd (see pages 18 -19 above) and those key executives that report directly to the Managing Director being:

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

Key management personnel

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

	G Roebuck Managing Director	C McIntyre Chief Financial Officer	A Bhatia Chief Information Officer	A Saines Commercial Director	P Barlow Strategy Director	D Hardy Dealer & Data Services Director
Base Salary *	1,202,655	600,000	405,000	400,000	370,000	320,000
Participation in cash bonus plans	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan	Strategy Group STI plan
Participation in DSTI plans	Performance Rights	Performance Rights	Performance Rights	Performance Rights	Performance Rights	Performance Rights
Participation in LTI plans	Performance Rights and Options	Performance Rights and Options	Performance Rights and Options	Performance Rights and Options	Performance Rights and Options	Performance Rights and Options
Termination notice period	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party
Non-compete period	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party	6 month by either party

* Base Salary (including superannuation) as at 30 June 2014. Key management personnel received a salary increase on 1 July 2013.

Key management personnel of the Group

2014	Short-term employee benefits			Deferred Short-term Incentive	Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Performance rights \$	Super-annuation \$	Long service leave \$	Options \$	Performance rights \$	
Non-executive directors									
Wal Pisciotta	167,412	-	-	-	-	-	-	-	167,412
Richard Collins	127,154	-	-	-	11,762	-	-	-	138,916
Pat O'Sullivan	103,201	-	-	-	9,546	-	-	-	112,747
Ian Law	28,927	-	-	-	2,676	-	-	-	31,603
Kim Anderson	103,201	-	-	-	9,546	-	-	-	112,747
Jeffrey Browne	51,249	-	-	-	-	-	-	-	51,249
Steve Kloss (Alternate)	51,250	-	-	-	-	-	-	-	51,250
Sub-total Non-executive directors	632,394	-	-	-	33,530	-	-	-	665,924
Executive director									
Greg Roebuck	1,184,880	660,000	4,366	81,521	17,775	155,196	422,269	448,185	2,974,192
Other key management personnel and executives (Group)									
Cameron McIntyre	582,225	210,325	-	67,934	17,775	20,303	173,047	203,321	1,274,930
Damian Hardy	302,225	75,208	-	35,597	17,775	8,429	85,361	99,292	623,887
Anthony Saines	382,225	193,775	-	37,500	17,775	13,413	106,979	122,214	873,881
Ajay Bhatia	387,225	157,881	-	37,364	17,775	13,470	83,481	98,249	795,445
Paul Barlow	352,225	103,844	-	22,418	17,775	11,381	56,376	64,956	628,975
Total key management personnel compensation (Group)	3,823,399	1,401,033	4,366	282,334	140,180	222,192	927,513	1,036,217	7,837,234

Key management personnel of the Group

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

STI & DSTI Payments (cash & performance rights) achievement against on-target earning.

	Actual STI Payment			Actual DSTI Payment		
	\$	% Paid	% Forfeited	\$	% Paid	% Forfeited
G Roebuck	660,000	118%	0%	81,521	68%	32%
C McIntyre	210,325	140%	0%	67,934	68%	32%
D Hardy	75,208	125%	0%	35,597	68%	32%
A Saines	193,775	138%	0%	37,500	68%	32%
A Bhatia	157,881	211%	0%	37,364	68%	32%
P Barlow	103,844	138%	0%	22,418	68%	32%

STI & DSTI Payments (cash & performance rights) achievement against maximum entitlement

All Key Management Personnel and Executives received grants which were less than their maximum potential STI & DSTI entitlements with the exception of Ajay Bhatia.

Mr Bhatia received the following:

Name	Current Year Grant \$				Paid above Maximum Potential
	Maximum Potential STI & DSTI	STI - Cash Component	DSTI - Performance Rights	Total Grant of STI & DSTI	
Ajay Bhatia	166,563	157,881	37,364	195,245	29,682

Mr Bhatia received an STI payment which was \$46,282 above maximum potential which was awarded by the Board as a result of Mr Bhatia's outstanding performance in product development and innovation throughout 2014.

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

	Fixed remuneration		At risk - STI		At risk - DSTI		At risk - LTI*	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Directors of carsales.com Ltd								
Wal Pisciotta	100	100	-	-	-	-	-	-
Greg Roebuck	46	46	22	24	3	-	29	30
Richard Collins	100	100	-	-	-	-	-	-
Pat O'Sullivan	100	100	-	-	-	-	-	-
Ian Law	100	100	-	-	-	-	-	-
Kim Anderson	100	100	-	-	-	-	-	-
Jeffrey Browne	100	-	-	-	-	-	-	-
Steve Kloss	100	100	-	-	-	-	-	-
Other key management personnel of the Group								
Cameron McIntyre	49	53	16	16	5	-	30	31
Damian Hardy	52	55	12	10	6	-	30	35
Anthony Saines	48	49	22	22	4	-	26	29
Ajay Bhatia	52	58	20	15	5	-	23	27
Paul Barlow	60	65	17	11	4	-	19	24

* Since the Long-term Incentive and Deferred Short-term Incentive are provided exclusively by way of options and performance rights, the percentages disclosed reflect the value of remuneration consisting of options and performance rights, based on the value expensed during the year.

Service agreements

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

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

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

Employee Share Trust

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

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

Share-based compensation

Options and performance rights

Options and performance rights are granted under the carsales.com Ltd Employee Option Plan which was established via a prospectus lodged with ASIC in 2000. The Board of Directors determines who shall be invited to participate in the plan. Options and performance rights under this plan are issued for no cash consideration. Options and performance rights are issued subject to vesting rules and expiry periods. Options and performance rights vest on fixed dates provided that employment has not been terminated, and for senior executives, when EPS targets have been achieved.

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

LTI	Grant	Vesting Date	Minimum Entitlement		Maximum Entitlement		Actual Achieved	
			% payable	EPS target	% payable	EPS target	% payable	EPS
Year ending 30 June 2012		Aug-12	50%	0.282	100%	0.296	100%	0.306
		Aug-13	50%	0.329	100%	0.346	100%	0.355
		Aug-14	50%	0.375	100%	0.395	100%	0.402
Year ending 30 June 2013		Aug-14	50%	0.366	100%	0.402	100%	0.402

DSTI	Grant	Vesting Date	Minimum Entitlement		Maximum Entitlement		Actual Achieved	
			% payable	EPS target	% payable	EPS target	% payable	EPS
Year ending 30 June 2014		Aug-14	50%	0.396	100%	0.416	68%	0.402

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

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

Alignment of Managing Director and senior executive employees

Options and performance rights issued to the Managing Director contain the same terms, conditions and performance targets as those issued to senior executive employees.

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

The Deferred Short-term Incentive (DSTI) program is only available to the Managing Director and senior executive employees.

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

The Company has selected EPS to be the most appropriate target on which to apply its Long-term Incentive and Deferred Short-term Incentive programs. The rationale for this choice has historically been as a result of having only a small pool of relevant peers, being other ASX listed online businesses, and the lack of liquidity in the stock of both the Company until March 2011 and some appropriate peers. The Board continues to believe that EPS is the most appropriate measure that best aligns the interest of shareholders with those of management.

The following award details are outlined for all unvested grants.

Deferred Short-term Incentive (DSTI)

The vesting of performance rights is subject to the achievement of a financial year ending 30 June 2014 earnings per share target. The Board, in considering appropriate performance targets, believes EPS is the most effective measure in ensuring alignment with the interests of shareholders.

The minimum and maximum EPS target for the performance rights to vest has been set by the Board. In considering the appropriate EPS target, the Board has used the historical earnings performance of the Company, forward looking market consensus earnings expectations and other internal forward looking plans as inputs for determining the appropriate objective.

Performance Rights will not be capable of exercise if at the testing date the minimum targeted growth rate has not been achieved.

11,343 performance rights were issued to the Managing Director on 25 October 2013, with an exercise price of \$0.00. These performance rights were approved by shareholders at the AGM held on 25 October 2013.

In addition, 42,357 performance rights were issued to senior executives on 25th October 2013, with an exercise price of \$0.00, and with the same conditions as those of the Managing Director.

Performance Rights will be capable of exercise if at the testing date the EPS target has been achieved or exceeded as follows;

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

The performance conditions applying to the Performance Rights will be tested at 30 June 2014.

Subject to the performance conditions being satisfied, performance rights may be exercised after the Board releases the 2015 Annual Report to the ASX.

FY2012 Award

(Issue dates 26 October 2011 Managing Director, March 2012 senior executive employees)

321,034* options and 87,720* performance rights were issued to the Managing Director on 26 October 2011, with an exercise price of \$4.69 for employee share options and \$0.00 for performance rights. These options were approved by shareholders at the AGM held on 26 October 2011.

*There was a decrease of 21,566 options and an increase of 3,811 performance rights due to a change in valuation.

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

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

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

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

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

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

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

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

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

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

FY2013 Award

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

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

In addition, 346,406 options and 121,466 performance rights were issued to senior executives on 26 October 2012, with an exercise price of \$5.93 for employee share options and \$0.00 for performance rights, and with the same conditions as those of the Managing Director.

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

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

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

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

Minimum and maximum EPS targets for the options and performance rights have been set for each of the 2 years of the vesting period. The target for the third year, namely the period ending 30 June 2015, has been set at a minimum aggregate growth rate over the three year period of 15.2% and a maximum aggregate growth rate over the three year period of 24.0%.

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

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

182,863 options and 66,117 performance rights were issued to several other select employees on the 26th October 2012.

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

FY2014 Award

(Issue date 25 October 2013 Managing Director and senior executive employees)

134,213 options and 50,874 performance rights were issued to the Managing Director on 25 October 2013, with an exercise price of \$9.10 for employee share options and \$0.00 for performance rights. These options were approved by shareholders at the AGM held on 25 October 2013.

In addition, 168,404 options and 63,835 performance rights were issued to senior executives on 25th October 2013, with an exercise price of \$9.10 for employee share options and \$0.00 for performance rights, and with the same conditions as those of the Managing Director.

The vesting of the options and performance rights issued are subject to the achievement of an EPS target with a testing date of 30 June 2016 and are exercisable after the Board releases the 2016 Annual Report to the ASX.

The minimum and maximum EPS target for the Options and Performance Rights have been set by the Board. In considering the appropriate EPS target, the Board has used the historical earnings performance of the Company, forward looking market consensus earnings expectations and other internal forward looking plans as inputs for determining the appropriate objective.

The minimum EPS target required for any of the awarded Options and Performance Rights to vest is a target that will require the Company to achieve an EPS value that will reflect double digit compound annual growth rate ("CAGR") in EPS between the baseline year ending 30 June 2013 and the testing year ending 30 June 2016.

The Company will publish in the FY2016 Annual Report the minimum and maximum EPS target that was applicable to the grant, along with the actual EPS achieved by the Company in that relevant year.

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

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

105,456 options and 82,331 performance rights were issued to several other select employees on the 25th October 2013.

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

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

Grant date	Date exercisable	Expiry date	Exercise price	Value at grant date	% Vested	Performance achieved
July 2007	June 2009	June 2014	\$1.75	\$0.55	100	Yes
July 2007	June 2009	September 2014	\$1.75	\$0.55	100	Yes
March 2010	October 2012	October 2014	\$3.89	\$2.01	100	Yes
October 2010	August 2011	October 2015	\$4.90	\$0.95	100	Yes
October 2010	August 2012	October 2015	\$4.90	\$1.16	100	Yes
October 2010	August 2013	October 2015	\$4.90	\$1.32	100	Yes
October 2011	August 2012	October 2016	\$4.69	\$0.96	100	Yes
October 2011	August 2013	October 2016	\$4.69	\$1.10	100	Yes
October 2011	August 2014	October 2016	\$4.69	\$1.19	N/A	To be determined
October 2011	August 2013	October 2016	\$0.00	\$4.54	100	Yes
October 2011	August 2014	October 2016	\$0.00	\$4.36	N/A	To be determined
October 2012	August 2014	October 2017	\$5.93	\$2.33	N/A	To be determined
October 2012	August 2015	October 2017	\$5.93	\$2.43	N/A	To be determined
October 2012	August 2014	October 2017	\$0.00	\$6.96	N/A	To be determined
October 2012	August 2015	October 2017	\$0.00	\$6.73	N/A	To be determined
October 2013	August 2016	October 2018	\$9.10	\$3.91	N/A	To be determined
October 2013	August 2015	October 2018	\$0.00	\$10.58	N/A	To be determined
October 2013	August 2016	October 2018	\$0.00	\$10.32	N/A	To be determined

\$0.00 exercise price represents performance rights.

When exercisable, each option is convertible into one ordinary share upon payment of the exercise price by the option holder, provided that the option holder complies with the rules of the carsales.com Ltd Employee Option Plan. Performance rights will automatically be converted to one ordinary share upon the vesting date provided the holder complies with the rules of carsales.com Ltd Employee Option Plan.

Options and performance rights not exercised expire where (a) the expiry date applicable to the option or performance right is reached, (b) 30 days post the employee ceasing to be employed by carsales.com Ltd or their employment is terminated, (c) where EPS vesting conditions are not met, or (d) where there has been a special circumstance, then within 90 days after that special circumstance has occurred or as specified by the Board.

Details of options and performance rights granted over ordinary shares in the Company provided as remuneration to each director of carsales.com Ltd and each of the key management personnel of the Parent Entity and the Group are set out below.

Further information on the options and performance rights is set out in note 31 to the financial statements.

	Number of options granted during the year 2014	Number of performance rights granted during the year 2014	\$ Value of options at grant date 2014	\$ Value of performance rights at grant date 2014	Number of options and performance rights vested during the year 2014
Executive director					
G Roebuck	134,213	62,217	525,001	644,996	354,709
Other Key management personnel and executives (Group)					
C McIntyre	44,738	26,411	175,002	275,004	156,649
D Hardy	19,173	12,221	74,999	127,401	102,899
A Saines	25,564	14,908	99,999	155,199	110,405
A Bhatia	19,173	12,467	74,999	130,004	100,067
P Barlow	12,782	7,964	49,999	82,995	68,552

Shares provided on exercise of remuneration options and performance rights

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

	Date of exercise of options and performance rights	Number of ordinary shares issued on exercise of options and performance rights during the year	Value at exercise date *
Directors of carsales.com Ltd			
G Roebuck	August 2013	374,450	2,418,684
Other key management personnel and executives of the Group			
C McIntyre	August 2013	156,649	1,001,936
D Hardy	August 2013	170,914	1,110,128
A Saines	August 2013	110,405	700,956
A Bhatia	August 2013	100,067	617,721
P Barlow	August 2013	229,370	1,561,236

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

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

Exercise date	Amount paid per share
August 2013	\$3.89
August 2013	\$4.90
August 2013	\$4.69
August 2013	\$0.00

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

Additional information

Details of remuneration: Share-based compensation benefits

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

Share-based compensation benefits (options and performance rights)

	Financial year granted	Vested %	Forfeited %	Financial years in which grant may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
G Roebuck	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	22,205
	2013	-	-	2015*	-	34,546
	2013	-	-	2016*	-	234,706
	2014	-	-	2016*	-	76,364
	2014	-	-	2017*	-	802,939
C McIntyre	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	11,457
	2013	-	-	2015*	-	14,546
	2013	-	-	2016*	-	98,824
	2014	-	-	2016*	-	63,640
	2014	-	-	2017*	-	267,648
D Hardy	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	5,642
	2013	-	-	2015*	-	7,272
	2013	-	-	2016*	-	49,412
	2014	-	-	2016*	-	33,345
	2014	-	-	2017*	-	114,706
A Saines	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	7,160
	2013	-	-	2015*	-	9,090
	2013	-	-	2016*	-	61,764
	2014	-	-	2016*	-	35,129
	2014	-	-	2017*	-	152,938
A Bhatia	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	5,070
	2013	-	-	2015*	-	7,272
	2013	-	-	2016*	-	49,412
	2014	-	-	2016*	-	35,001
	2014	-	-	2017*	-	114,706
P Barlow	2011	100	-		-	-
	2012	100	-		-	-
	2012	-	-	2015*	-	3,752
	2013	-	-	2015*	-	4,764
	2013	-	-	2016*	-	32,364
	2014	-	-	2016*	-	20,998
	2014	-	-	2017*	-	76,469

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

The following tables show the number of:

(i) *Option holdings and performance rights*

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

2014	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Balance at end of the year	Vested and exercisable	Unvested
Directors of carsales.com Ltd						
W Pisciotta	-	-	-	-	-	-
R Collins	-	-	-	-	-	-
G Roebuck	1,157,079	196,430	(374,450)	979,059	310,517	668,542
P O'Sullivan	-	-	-	-	-	-
I Law	-	-	-	-	-	-
S Kloss (Alternate)	-	-	-	-	-	-
K Anderson	-	-	-	-	-	-
Other key management personnel of the Group						
D Hardy	280,049	31,394	(170,914)	140,529	-	140,529
C McIntyre	376,523	71,149	(156,649)	291,023	-	291,023
A Saines	247,826	40,472	(110,405)	177,893	-	177,893
A Bhatia	203,855	31,640	(100,067)	135,428	-	135,428
P Barlow	301,379	20,746	(229,370)	92,755	-	92,755

(ii) *Share holdings*

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

2014	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of carsales.com Ltd				
Ordinary shares				
W Pisciotta	14,872,293	-	(101,593)	14,770,700
R Collins	991,750	-	-	991,750
G Roebuck	5,432,891	374,450	(768,836)	5,038,505
S Kloss (Alternate)	2,774,500	-	-	2,774,500
K Anderson	10,000	-	-	10,000
P O'Sullivan	5,376	-	-	5,376
Other key management personnel of the Group				
Ordinary Shares				
D Hardy	383,737	170,914	(148,078)	406,573
C McIntyre	217,000	156,649	(150,000)	223,649
A Saines	8,604	110,405	(103,525)	15,484
A Bhatia	3,000	100,067	(99,996)	3,071
P Barlow	3,461	229,370	(200,376)	32,455

Loans to key management personnel

During the ordinary course of business Mr G Roebuck will routinely owe money to, or be owed money by, the Company for expense reimbursement. As at 30 June 2014 Mr Roebuck owed the Company \$22,512.39. This amount has been paid in full.

Other transactions with key management personnel

(i) Directors of carsales.com Ltd

W Pisciotta is a director and shareholder of Pentana, which entered into a relationship agreement with carsales.com Ltd in 2010 for the supply of data and services. Under the contract, Pentana supplies data for the exclusive use of carsales.com Ltd in return for a fixed annual payment, plus a percentage of revenues generated through Pentana Solutions. The term of the contract is 5 years from March 2010.

R Collins is a shareholder of automotive dealerships which utilised the Group's services under terms and conditions no more favourable than dealing with other customers at arm's length in the same circumstances.

Shares under option and performance rights

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

Date options granted	Expiry date	Issue price of shares	Number under options	Number under performance rights
Jul-2007	Sep-2014	\$1.75	5,000	
Mar-2010	Oct-2014	\$3.89	30,625	
Oct-2010	Oct-2015	\$4.90	175,000	
Mar-2011	Oct-2015	\$4.90	100,000	
Oct-2011	Oct-2016	\$4.69	659,387	
Oct-2011	Aug-2014	\$0.00		133,735
Mar-2012	Mar-2017	\$4.69	164,283	
Mar-2012	Mar-2015	\$0.00		52,379
Oct-2012	Oct-2017	\$5.93	710,338	
Oct-2012	Aug-2014	\$0.00		74,888
Oct-2012	Aug-2015	\$0.00		116,219
Oct-2012	Oct-2015	\$0.00		59,805
Oct-2013	Oct-2018	\$9.10	406,156	
Oct-2013	Aug-2015	\$0.00		53,700
Oct-2013	Aug-2016	\$0.00		114,709
Oct-2013	Oct-2016			39,247
			2,250,839	644,682

No option or performance rights holder has any right under the options or performance rights to participate in any other share issue of the Company. No options or performance rights have been issued post 30 June 2014.

Shares issued on the exercise of options and performance rights

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2014 on the exercise of options granted under the carsales.com Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

Date options and performance rights exercised	Issue price of shares	Number of shares issued
Jul-2013	\$2.00	10,000
Jul-2013	\$3.89	10,000
Aug-2013	\$0.00	67,819
Aug-2013	\$1.75	2,000
Aug-2013	\$2.00	5,000
Aug-2013	\$3.89	109,375
Aug-2013	\$4.69	222,960
Aug-2013	\$4.90	892,347
Sep-2013	\$3.89	7,500
Sep-2013	\$2.00	5,000
Oct-2013	\$4.90	165,000
Nov-2013	\$4.90	85,000
Dec-2013	\$4.90	10,000
May-2014	\$4.90	30,000
May-2014	\$4.90	25,000
		1,647,001

Insurance of officers

During the financial year, carsales.com Ltd paid a D&O insurance premium of \$43,859 to insure the Directors, Officers and Company Secretary of the Group.

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

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

Indemnification of directors and officers

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

Non-audit services

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

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

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

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	Consolidated	
	2014 \$	2013 \$
Other assurance services		
PwC Australian firm		
Due diligence services	165,543	289,000
Controls assurance services	-	15,000
Due diligence fees paid to PricewaterhouseCoopers network firms	91,755	-
Total remuneration for other assurance services	257,298	304,000
Taxation services		
PwC Australian firm		
Tax compliance services	64,439	48,000
Tax consulting and tax advice on acquisitions	61,880	61,000
Total remuneration for taxation services	126,319	109,000
Total remuneration for non-audit services	383,617	413,000

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 40.

Rounding of amounts

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

Auditor

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

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



Wal Pisciotta
Chairman



Greg Roebuck
Managing Director and CEO
Sydney, 13 August 2014



Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Ltd for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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


Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
13 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

“There’s no doubt the new car marketplace continues to evolve and rest assured that carsales is at the forefront of addressing the needs of the consumer, the dealers and the car companies.”

Greg Roebuck

Corporate Governance Statement

Corporate Governance Statement

Introduction

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

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

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

All of these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (including 2010 Amendments)*, unless otherwise stated.

1. Principle: Laying Solid Foundations for management and oversight

1.1 The Board of Directors

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

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

1.2 The Board's responsibilities include:

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

1.3 Matters specifically reserved for the Board

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

- setting the corporate objective of the Company and approving business strategies and plans of the Company designed to meet that objective;
- approving changes to the Company's capital structure and dividend policy;
- approval of the Annual Budget;
- appointing and removing the Managing Director and carrying out succession planning for the Managing Director as applicable;
- reviewing the performance of the Managing Director, his/her remuneration and contractual arrangements;
- appointing and removing senior executives on the recommendation of the Managing Director;
- reviewing the performance and remuneration of senior executives on the review and recommendation of the Managing Director
- reviewing the composition of the Board and Board Committees, the independence of Directors, the Board's performance and carrying out succession planning for the Chairman and other Non-Executive Directors;
- reviewing the performance of management and the Company, including in relation to the corporate governance, risk management, internal controls and compliance frameworks, systems, policies and processes adopted by the Company;
- dealing with any matters in excess of any specific delegations that the Board may from time to time delegate to the Managing Director and senior executives; and
- approving the communication to shareholders and to the public of the half-year and full-year results and generally any public statements which reflect issues of the Company's policy or strategy that the Board deems material.

1.4 Board committees

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

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

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

An outline of the responsibilities of the Audit and Risk Management Committee is also contained within Section 4.1 of this Statement.

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

1.5 Relationship between directors and management

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

1.6 Role of the Managing Director

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

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

1.7 Senior executive performance

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

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

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

2. Principle: Structuring the Board to add value

2.1 Board size:

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

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

2.2 Board composition

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

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

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

The Board comprises the following directors:

Mr G Roebuck (Managing Director)
Mr W Pisciotta (Non-Independent Non-Executive Chairman)
Mr I Law (Independent Non-Executive Director - retired 30 September 2013)
Mr P O'Sullivan (Independent Non-Executive Director)
Mr R Collins (Independent Non-Executive Director)
Ms K Anderson (Independent Non-Executive Director)
Mr J Browne (Independent Non-Executive Director - appointed 16 December 2013)
Mr S Kloss (Alternate Non-Executive Director)

2.3 Term of office

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

2.4 Remuneration and Nomination Committee

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

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

The Remuneration and Nomination Committee consists of the following directors:

Mr R Collins - Committee Chairman (Independent)
Mr W Pisciotta
Mr I Law (Independent - retired 30 September 2013)
Mr J Browne (Independent - appointed 27 February 2014)
Mr Pat O'Sullivan (Independent - appointed 24 October 2013, resigned 27 February 2014).

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 19.

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

Additional detail relating to role and responsibilities of the Remuneration and Nomination Committee is contained within Section 8.1 of this statement.

2.5 Appointment & re-election of board members

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

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

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

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

2.6 Independence of directors

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

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

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

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

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

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

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

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

Mr Wal Pisciotta, the Chairman, has been a director of the Company since inception and is a substantial shareholder of the Company. Accordingly, he is not considered to be an independent director. However, given Mr Pisciotta's substantial experience in the car industry of over 41 years the Company believes that it is valuable to have a Chairman with such depth of experience and skill. Given the specialist nature of the Company's activities, an independent chairman is not regarded as necessary.

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

2.7 Role of the Chairman

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

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

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

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

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

2.8 Director conduct

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

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

2.9 Conflict and declaration of interests

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

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

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

The Board has developed procedures to be followed:

- by a director who believes he or she may have a conflict of interest or material personal interest;
- for the holding of or the continuation of a meeting where it is proposed that a meeting will discuss any matter which gives rise or may give rise to a conflict or a real sensible possibility of a conflict of interest; and
- for the monitoring and reporting of a director's interest to ensure that the Company complies with the obligations pursuant to the Corporations Act 2001 and the ASX Listing Rules.

Entities connected with the Directors that had material business dealings with the Group during the year, are described in note 25 to the financial statements. In accordance with the Board Charter, the Directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Company pertaining to those dealings.

2.10 Induction and training

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

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

2.11 Board meetings

The number of Board and Board Committee meetings held during the year along with the attendance by directors is set on page 19 of this report.

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

2.12 Performance of the Board, its committees and individual directors

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

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

2.13 Access to independent professional advice

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

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

3. Principle: Promote ethical and responsible decision making

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

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

3.1 Restrictions on dealing in securities

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

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

3.2 Code of conduct

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

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

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

3.3 Approach to diversity

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

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

Diversity policy

Objectives	Initiatives	Outcomes
Continue to grow the number of women performing senior roles from external appointments	Educating managers on the importance of a diverse workforce.	In FY14, 64% of our senior leadership appointments have been women.
Continue to implement career development programs to prepare women within the carsales business to take on more senior roles	Mentoring program, Living Leadership training and development programs	The Company's mentoring program currently consists of 53% women. Of our leadership and management programs, 33% of attendees were women and 50% of FY14 promotions within the business have been female.
Create an environment that women network and mentor each other to progress their careers within carsales	Women in Leadership Program	This program has membership of 21 females in leadership positions from across the business. The Group has again grown this year which reflects the higher % of senior leadership appointments being women. Meetings have involved attending external leadership events and speakers, including a member of the carsales board.
Implement workplace flexibility programs to create a workplace that women can meet both family and work responsibilities	Paid parental leave, part time, flexible re-entry into the business from the period of parental leave	In FY14, 8 members of the team took maternity leave and we are currently supporting 11 women with flexible working arrangements.

On 3 June 2014, as per the Workplace Gender Equality Act 2012, we submitted our report with the Workplace Gender Equality Agency. This report provided information on our policies and gender diversity numbers across the business. This report is available on the Company shareholder website at www.carsales.com.au

4. Principle: Safeguard integrity in financial reporting

4.1 Audit and Risk Management Committee

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

Mr I Law - Committee Chairman (Independent - retired 30 September 2013)

Mr R Collins (Independent)

Mr P O'Sullivan - Committee Chairman (Independent)

Ms K Anderson (Independent)

Details of these directors' qualifications, the number of meetings of the Audit and Risk Management Committee held and director's attendance at these meetings are detailed in the Directors' report on page 19.

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

The responsibilities of the Committee include:

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

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

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

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

4.2 Written affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration on page 99.

4.3 External audit

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

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

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

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

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is disclosed in note 23 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Management Committee.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

5 Principle: Making timely and balanced disclosures

5.1 Continuous disclosure

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

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

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

6. Principle: Respect the rights of shareholders

6.1 Communicating with shareholders

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

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

Information is communicated in a number of ways including:

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

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

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

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

7. Principle: Recognising and managing risk

7.1 Risk management

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

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

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

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

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

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

7.2 Written Affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks.

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

8. Principle: Remunerate fairly and responsibly

8.1 Remuneration and Nomination Committee

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

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

The Remuneration and Nomination Committee consists of the following Directors:

Mr R Collins - Committee Chairman (Independent)

Mr W Pisciotta

Mr I Law (Independent - retired 30 September 2013)

Mr J Browne (Independent - appointed 27 February 2014)

Mr P O'Sullivan (Independent - appointed 24 October 2013, resigned 27 February 2014)

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 19.

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

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration, recruitment, retention and termination policies and procedures applicable to senior executives and directors. In addition the Committee will facilitate an efficient mechanism for examination of the selection and appointment practices of the Company.

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

The Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting of the Company.

The specific matters the Committee may consider include a review of:

- senior executives and directors' remuneration and incentives, including the link between company and individual performance;
- current industry best practice;
- different methods for remunerating senior executives and directors;
- existing or proposed share option schemes or other incentive schemes;
- superannuation arrangements;
- retirement, termination benefits and payments for senior executives;
- professional indemnity and liability insurance policies;
- considering the appropriate size and composition of the Board;
- consider and implement a plan for identifying, assessing and enhancing director competencies;
- developing a process for evaluation of the performance of the Board, its committees and directors;
- reviewing the skills, experience and expertise represented on the Board and determining whether those skills meet the required skills identified;
- recommending changes to the membership of the Board;
- making recommendations to the Board on candidates it considers appropriate for appointment;
- reviewing the retiring non-executive director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring non-executive director; and
- reviewing the Company's succession planning to maintain an appropriate balance of skills, experience and expertise on the Board.

8.2 Remuneration arrangements

8.2.1 Board and non-executive directors

The remuneration policy for the Board and the remuneration of each director is set out in the Remuneration Report which forms part of the Directors' Report.

8.2.2 Senior executives

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

Financial Report

Contents

	Page
Financial statements	
Consolidated statement of comprehensive income	56
Consolidated statement of financial position	57
Consolidated statement of changes in equity	58
Consolidated statement of cash flows	59
Notes to the consolidated financial statements	60
Directors' declaration	99
Independent auditor's report to the members	100

This financial report covers the financial statement of the consolidated entity consisting of carsales.com Ltd, its subsidiaries, investments in associates and a joint venture. The financial report is presented in the Australian currency.

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

carsales.com Ltd
Level 4, 449 Punt Road
Richmond Vic 3121

A description of the nature of the consolidated entity's operations and its principal activities is included in the Chairman's letter to shareholders on page 7, the Managing Director's review of operations on page 9, and in the Directors' Report on page 13-39, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 13 August 2014. The directors have the power to amend and reissue the financial report.

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

For queries in relation to our reporting please call +61 (3) 9093 8600.

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations			
Sale of goods and services		235,602	215,118
Other revenue from ordinary activities		474	1,343
Revenue from continuing operations	5	236,076	216,461
Other Income	6	1	5
Expenses			
Sales and marketing expenses		(61,860)	(57,791)
Operations and administration		(18,151)	(20,689)
Service development and maintenance		(17,182)	(16,516)
Other expenses	7	(3,309)	(2,553)
Finance costs	7	(3,388)	(5)
Share of net profit/(loss) from associates accounted for using the equity method		3,434	(232)
Profit before income tax		135,621	118,680
Income tax expense	8	(39,349)	(35,164)
Profit from continuing operations		96,272	83,516
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	21(a)	(1,047)	85
Total comprehensive income for the year		95,225	83,601
Profit is attributable to:			
Owners of carsales.com Ltd		95,457	83,516
Non-controlling interests	27(b)	815	-
		96,272	83,516
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		94,410	83,601
Non-controlling interests	27(b)	815	-
		95,225	83,601
Earnings per share based on profit from continuing operations, attributable to the ordinary equity holders of the parent entity:		Cents	Cents
Basic earnings per share	30	40.2	35.5
Diluted earnings per share	30	40.0	35.2

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

Consolidated statement of financial position

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	26,042	15,140
Receivables	10	35,384	31,262
Total current assets		61,426	46,402
Non-current assets			
Investments accounted for using the equity method	27(c)	240,426	104,187
Property, plant and equipment	11	4,402	4,732
Intangible assets	13	92,269	81,192
Deferred tax assets	12	5,916	6,638
Total non-current assets		343,013	196,749
Total assets		404,439	243,151
LIABILITIES			
Current liabilities			
Payables	15	22,740	19,220
Borrowings	14	9,842	54,525
Current tax liabilities		9,349	7,544
Provisions	16	3,818	3,334
Deferred revenue	17	5,535	5,297
Total current liabilities		51,284	89,920
Non-current liabilities			
Provisions	18	938	721
Borrowings	19	164,841	-
Total non-current liabilities		165,779	721
Total liabilities		217,063	90,641
Net assets		187,376	152,510
EQUITY			
Contributed equity	20	77,603	70,104
Reserves	21(a)	17,695	14,908
Retained earnings	21(b)	90,946	67,498
Non-controlling interests	27(b)	1,132	-
Total equity		187,376	152,510

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

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Attributable to owners of carsales.com Ltd				
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non-Con- trolling Interest \$'000	Total equity \$'000
Balance at 1 July 2012	61,749	7,568	59,068	-	128,385
Profit for the year	-	-	83,516	-	83,516
Exchange differences on translation of foreign operations	-	85	-	-	85
Total comprehensive income for the year	-	85	83,516	-	83,601
Transactions with owners in their capacity as owners:					
Contributions of equity upon exercise of employee share options	8,355	-	-	-	8,355
Dividends paid	-	-	(75,086)	-	(75,086)
Increase in share-based payment reserve inclusive of tax	-	7,255	-	-	7,255
Balance at 30 June 2013	70,104	14,908	67,498	-	152,510
Profit for the year	-	-	95,457	815	96,272
Exchange differences on translation of foreign operations	-	(1,047)	-	-	(1,047)
Total comprehensive income for the year	-	(1,047)	95,457	815	95,225
Transactions with owners in their capacity as owners:					
Contributions of equity upon exercise of employee share options	7,499	-	-	-	7,499
Non-controlling interests on acquisition of subsidiaries	-	-	-	317	317
Dividends paid	-	-	(72,009)	-	(72,009)
Increase in share-based payment reserve inclusive of tax	-	3,834	-	-	3,834
Balance at 30 June 2014	77,603	17,695	90,946	1,132	187,376

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

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (incl GST)		254,341	234,760
Payments to suppliers and employees (incl GST)		(118,734)	(112,452)
Interest received		474	1,343
Interest paid		(3,065)	(5)
Income taxes paid		(34,323)	(34,510)
Net cash inflow from operating activities	29	98,693	89,136
Cash flows from investing activities			
Investment in subsidiaries		(8,400)	-
Investment in associates		(133,897)	(104,169)
Payments for property, plant and equipment		(948)	(944)
Payments for domain names		(529)	(13)
Net outstanding receipts		-	2,427
Payments for computer software		(331)	(264)
Proceeds from disposal of other assets		1	13
Payment for investment in Joint Venture		-	(250)
Dividends received from associates		665	-
Net cash (outflow) from investing activities		(143,439)	(103,200)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		7,499	8,355
Proceeds from borrowings		183,500	55,000
Repayment of borrowings		(63,342)	-
Dividends paid to company shareholders	22	(72,009)	(75,086)
Net cash inflow/(outflow) from financing activities		55,648	(11,731)
Net increase (decrease) in cash and cash equivalents		10,902	(25,795)
Cash and cash equivalents at the beginning of the financial year		15,140	40,935
Cash and cash equivalents at end of year	9	26,042	15,140

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

Contents of the notes to the consolidated financial statements

Notes		Page
1	Summary of significant accounting policies	61
2	Financial risk management	68
3	Critical accounting estimates and judgements	71
4	Segment information	71
5	Revenue	74
6	Other income	74
7	Expenses	74
8	Income tax expense	74
9	Current assets - Cash and cash equivalents	75
10	Current assets - Receivables	75
11	Non-current assets - Property, plant and equipment	77
12	Non-current assets - Deferred tax assets	78
13	Non-current assets - Intangible assets	79
14	Current liabilities - Borrowings	80
15	Current liabilities - Payables	80
16	Current liabilities - Provisions	81
17	Deferred revenue	81
18	Non-current liabilities - Provisions	81
19	Non-current liabilities - Borrowings	81
20	Contributed equity	81
21	Reserves and retained earnings	84
22	Dividends	85
23	Remuneration of auditors	86
24	Commitments	87
25	Related party transactions	87
26	Business combination	88
27	Interests in other entities	90
28	Events occurring after the reporting period	93
29	Reconciliation of profit after income tax to net cash inflow from operating activities	93
30	Earnings per share	94
31	Share-based payments	95
32	Parent entity financial information	97

1. Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. carsales.com Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with International Financial Reporting Standards

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

(ii) Historical cost convention

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

(iii) Critical accounting estimates

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

(iv) Financial statement presentation

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

(v) Going concern

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

(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 2014 and the results of all subsidiaries for the year then ended. carsales.com Ltd and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively

(ii) Associates

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

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

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

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

(iii) Joint ventures

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

(iv) Employee Share Trust

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

(e) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

(i) Advertising services

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

(ii) Data and other services

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

(iii) Interest income

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

(iv) Dividends

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

(v) R&D Tax Rebate

The R&D 10% taxable rebate is recognised as other income.

(f) Income tax

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

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

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

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

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

(l) Investments and other financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables in the consolidated statement of financial position. Refer to note 1(k) for details of the impairment policy for trade receivables.

(m) Property, plant and equipment

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

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

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

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

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

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

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

(n) Intangible assets

(i) Goodwill

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

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

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

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

- Software 4 years
- Domain Names 5 years
- Database 10 years

(iii) Research and development

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

(o) Trade and other payables

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

(p) Borrowings

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

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

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

(q) Borrowing costs

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

(r) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Retirement benefit obligations

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

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

(iv) Share-based payments

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

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

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

(v) Bonus plans

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

(s) Contributed equity

Ordinary shares are classified as equity.

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

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

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(v) Rounding of amounts

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are mandatory for 30 June 2014 reporting periods and have been adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

The Group has applied the following standards in their year-end reporting commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. 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. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.
- AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements - 2009-2011 Cycle (effective 1 January 2013).
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013).

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early:

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

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

No material impact in the financial statements as a result of the adoption of the above standards.

The following standards are applicable and the Group will adopt the standards upon the operative date. The Group is assessing the impact of these standards however they are not expected to have a significant impact:

- Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014).
- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (effective 1 January 2014).
- AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014).
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities (effective 1 January 2014).

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

- Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 1 July 2013).
- AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] and AASB 2010-10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time (effective 1 January 2011/1 January 2013). Adopters [AASB 2009-11 & AASB 2010-7].
- AASB 2011-5 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation and AASB 2011-6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (effective 1 July 2013).
- AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (effective 1 January 2013).
- AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141] (effective 1 July 2013).
- AASB Interpretation 21 Levies (effective 1 January 2014).
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting - [AASB 139] (effective 1 January 2014).
- Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39.

(x) Parent entity financial information

The financial information for the parent entity, carsales.com Ltd, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

(y) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included with other receivables or payables in the consolidated statement of financial position.

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

2. Financial risk management

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real (BRL) and the Korean Won (KRW).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in foreign currency that is not the entity's functional currency.

Hedging contracts are sometimes used to manage foreign currency exchange risk. The Company has a treasury strategy and a treasury policy and will actively hedge any major known commitments using forward exchange contracts. For instance during the financial year the Company acquired a 49.9% interest in SKENCARSALES.com Ltd in Korea. In funding this acquisition the Company entered into a forward exchange contract where 117,500,000,000 KRW was hedged against the Australian dollar (AUD) at the time in which contracts with the vendor were signed with defined funding delivery dates. This was the only foreign exchange hedge entered into during the course of the year.

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

The estimated impact on carsales.com Ltd share of the reported net profits of our overseas associates through potential movements in exchange rates are as follows:

Impact on profit:		2014	
		\$'000 -5%	\$'000 +5%
AUD to KRW	(+5% to -5%)	38.9	(43.0)
AUD to BRL	(+5% to -5%)	219.5	(242.6)
Net Movement		258.4	(285.6)

Impact on equity:		2014	
		\$'000 -5%	\$'000 +5%
AUD to KRW	(+5% to -5%)	6,686	(6,049)
AUD to BRL	(+5% to -5%)	4,855	(4,393)
Net Movement		11,541	(10,442)

(ii) *Price Risk*

The Group is not exposed to significant equities price risk.

(b) Credit risk

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

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

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

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

(c) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market rates.

The consolidated entity's exposure to the cash flow risk of changes in market interest rates relates primarily to the cash at bank and the cash advance facility. The interest rate applicable at year end on the cash at bank was 2.5%, while the interest on the cash advance facility was 4.0% (2013 - 4.7%). As at reporting date, the Group had \$175,000,000 (2013 - \$55,000,000) variable rate borrowings at a weighted average interest rate of 3.9% (2013 - 4.7%). The variable interest rate may have an impact on cash flow, but this impact is not considered material. carsales.com Ltd has a recently approved a treasury policy and treasury strategy for the management of interest rate risk which at 30 June 2014 had not been implemented. The Company does not currently hedge against interest rate risk, however will adopt a strategy in FY2015 that will see 50% of interest rate exposures in forecast borrowings hedged via a SWAP instrument.

(d) Liquidity risk

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

Financing arrangements

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

	2014 \$'000	2013 \$'000
Floating rate		
- Expiring within one year (overdraft and bill facility)	3,000	13,000
- Expiring beyond one year (cash advance facility)	-	40,000
	3,000	53,000

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	0 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Group - at 30 June 2014					
Non-derivatives					
Non-interest bearing payables	22,741	-	-	22,741	22,741
Variable rate borrowings	10,000	12,540	171,803	194,343	174,683
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	32,741	12,540	171,803	217,084	197,424
Group - at 30 June 2013					
Non-derivatives					
Non-interest bearing payables	19,220	-	-	19,220	19,220
Variable rate borrowings	57,475	210	-	57,685	57,685
Fixed rate borrowings	-	-	-	-	-
Total non-derivatives	76,695	210	-	76,905	76,905

(e) Net fair value of financial assets and liabilities

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

(f) Fair value estimation

Summarised sensitivity analysis

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

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000
At 30 June 2014					
Financial assets					
Cash and cash equivalents	26,042	(168)	(168)	168	168
Accounts receivable	34,721	-	-	-	-
Financial liabilities					
Trade payables	(6,477)	-	-	-	-
Borrowings	(175,000)	1,750	1,750	(1,750)	(1,750)
Total increase/(decrease)		1,582	1,582	(1,582)	(1,582)

	Carrying amount \$'000	Interest rate risk			
		-100 bps		+100 bps	
		Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000
At 30 June 2013					
Financial assets					
Cash and cash equivalents	15,140	(376)	(376)	376	376
Accounts receivable	30,222	-	-	-	-
Financial liabilities					
Trade payables	(1,728)	-	-	-	-
Borrowings	(55,000)	-	-	-	-
Total increase/(decrease)		(376)	(376)	376	376

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

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

(ii) Employee options and performance rights

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

4. Segment information

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

(a) Description of segments

The Group principally operates in three business segments: namely Online Advertising Services, Data and Research Services and International.

Online Advertising Services

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

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

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

Data and Research Services

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

International

carsales.com Ltd has significantly increased its investments in overseas Associates with our international holdings comprising:

Automotive Data Services:

- Auto Information Ltd (New Zealand) - 100%
- Red Book Automotive Services (M) Sdn Bhd (Malaysia) - 100%
- Red Book Automotive Data Services (Beijing) Ltd (China) - 100%
- Automotive Data Services (Thailand) Company Ltd - 100%

Online automotive classifieds:

- Webmotors (operation in Brazil) - 30%
- iCar Asia (operation in Indonesia, Malaysia and Thailand) - 22.9%
- SKENCARSALES (operation in South Korea) - 49.9%.

(b) Segment analysis

2014	Online Advertising \$'000	Data and Research \$'000	International \$'000	Total \$'000
Segment revenue				
Segment revenue (note 4(c)(i))	203,864	29,131	2,607	235,602
Total segment revenue	203,864	29,131	2,607	235,602
EBITDA (note 4(c)(ii))	120,256	16,747	1,407	138,410
Depreciation and amortisation				(3,309)
Net interest expense				(2,914)
Profit before income tax				132,187
Income tax expense				(39,349)
Share of gain from associates			3,434	3,434
Non-controlling interests				(815)
Profit for the year				95,457
Segment assets (note 4(c)(iii))				
Deferred tax assets				5,916
Unallocated assets				38,241
Total assets				404,439

2013	Online Advertising \$'000	Data and Research \$'000	International \$'000	Total \$'000
Segment revenue				
Segment revenue (note 4(c)(i))	187,206	25,604	2,308	215,118
Total segment revenue	187,206	25,604	2,308	215,118
EBITDA (note 4(c)(ii))	105,511	13,383	1,233	120,127
Depreciation and amortisation				(2,553)
Net interest income				1,338
Profit before income tax				118,912
Income tax expense				(35,164)
Share of losses from associates and a joint venture	(232)			(232)
Profit for the year				83,516
Segment assets (note 4(c)(iii))				
Deferred tax assets	86,759	21,610	104,303	212,672
Unallocated assets				23,841
Total assets				243,151

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

(i) Segment revenues

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

(ii) Segment EBITDA

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

(iii) Segment assets

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

(iv) Liabilities

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

5. Revenue

From continuing operations	2014 \$'000	2013 \$'000
Sales revenue		
Sale of services	235,602	215,118
Other revenue		
Interest	474	1,343
	236,076	216,461

6. Other income

	2014 \$'000	2013 \$'000
Net gain on disposal of property, plant and equipment	1	5

7. Expenses

	2014 \$'000	2013 \$'000
Profit before income tax includes the following specific expenses:		
Total employee benefits	43,559	44,188
Foreign exchange losses (gains)	47	(10)
Interest and finance charges paid/payable	3,388	5
Research and development	8,115	7,904
Defined contribution superannuation expense	3,391	3,087
Depreciation and amortisation expense	3,309	2,553
Minimum lease payments	3,858	3,469

8. Income tax expense

(a) Income tax expense	2014 \$'000	2013 \$'000
Current tax	38,934	35,031
Deferred tax	450	60
Adjustments for current tax of prior periods	(35)	73
	39,349	35,164
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (Increase) in deferred tax assets (note 12)	450	60
	450	60

Current tax of \$2,331,000 has been directly recognised in equity, related to share based payments.

(b) Numerical reconciliation of income tax expense to prima facie tax payable	2014 \$'000	2013 \$'000
Profit from continuing operations before income tax expense	135,621	118,680
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	40,686	35,604
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for R&D	(140)	(873)
Deferred tax on share options transferred to the Employee Share Trust	(320)	(94)
Sundry items	188	384
Adjustments for current tax of prior periods	(35)	73
Tax on share of (profit)/losses from associates	(1,030)	70
Total income tax expense	39,349	35,164

(c) Tax consolidation legislation

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

9. Current assets - Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash in hand	7	3
Bank balances	26,035	15,137
	26,042	15,140

(a) Risk exposure

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

(b) Cash at bank and in hand

Cash in hand is non-interest bearing. Bank balances attracted interest at an average rate of 2.6% (2013: 3.5%).

10. Current assets - Receivables

Net trade receivables	2014 \$'000	2013 \$'000
Trade receivables	34,721	30,222
Provision for impairment of receivables (note 10(a))	(808)	(746)
	33,913	29,476
Prepaid general	1,471	1,786
	35,384	31,262

Receivables from related parties are disclosed under note 25.

(a) Impaired trade receivables

The ageing of these receivables is as follows:

	2014 \$'000	2013 \$'000
1 to 3 months	330	287
3 to 6 months	152	128
Over 6 months	326	331
	808	746

As at 30 June 2014 current trade receivables of the Group with a nominal value of \$808,000 (2013 - \$746,000) were impaired. The amount of the provision was \$808,000 (2013 - \$746,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

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

	2014 \$'000	2013 \$'000
At 1 July	746	937
Provision for impairment recognised during the year	215	111
Receivables written off during the year as uncollectable	(153)	(302)
At 30 June	808	746

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

(b) Past due but not impaired

As of 30 June 2014, trade receivables of \$5,729,000 (2013 - \$4,401,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	2014 \$'000	2013 \$'000
Up to 3 months	5,329	4,333
3 to 6 months	400	68
	5,729	4,401

(c) Other receivables

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

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

(d) Fair value and credit risk

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

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

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

	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2012				
Cost	2,600	60	4,475	7,135
Accumulated depreciation	(1,720)	(27)	(349)	(2,096)
Net book amount	880	33	4,126	5,039
Year ended 30 June 2013				
Opening net book amount	880	33	4,126	5,039
Additions	645	7	292	944
Asset disposal	(1)	(6)	(1)	(8)
Depreciation charge	(625)	(5)	(613)	(1,243)
Closing net book amount	899	29	3,804	4,732
At 30 June 2013				
Cost	3,036	42	4,760	7,838
Accumulated depreciation	(2,137)	(13)	(956)	(3,106)
Net book amount	899	29	3,804	4,732
Year ended 30 June 2014				
Opening net book amount	899	29	3,804	4,732
Acquisition of subsidiary	10	38	-	48
Additions	551	14	383	948
Asset disposal	(1)	-	-	(1)
Depreciation charge	(589)	(32)	(704)	(1,325)
Closing net book amount	870	49	3,483	4,402
At 30 June 2014				
Cost	3,442	94	5,143	8,679
Accumulated depreciation	(2,572)	(45)	(1,660)	(4,277)
Net book amount	870	49	3,483	4,402

12. Non-current assets - Deferred tax assets

	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	1,017	1,217
Doubtful debts	205	224
Expense provisions and accruals	839	1,089
Share options in the Employee Share Trust	3,855	4,108
	5,916	6,638
Movements:		
Opening balance at 1 July	6,638	5,094
Credited to the profit or loss (note 8)	(450)	(60)
Credited directly to equity	(272)	1,604
Closing balance at 30 June	5,916	6,638
Deferred tax assets to be recovered within 12 months	4,683	5,192
Deferred tax assets to be recovered after more than 12 months	1,233	1,446
	5,916	6,638

	Employee benefits \$'000	Employee Share Trust \$'000	Other \$'000	Total \$'000
At 1 July 2012	1,088	2,405	1,601	5,094
(Charged)/credited to the profit or loss (note 8)	129	99	(288)	(60)
Credited directly to equity	-	1,604	-	1,604
At 30 June 2013	1,217	4,108	1,313	6,638
(Charged)/credited to the profit or loss (note 8)	(200)	19	(269)	(450)
Credited directly to equity	-	(272)	-	(272)
At 30 June 2014	1,017	3,855	1,044	5,916

13. Non-current assets - Intangible assets

	Goodwill \$'000	Domain names and other \$'000	Computer software* \$'000	Intangible asset: Database \$'000	Total \$'000
At 1 July 2012					
Cost	77,444	2,621	5,699	1,165	86,929
Accumulated amortisation and impairment	-	(1,303)	(4,452)	(564)	(6,319)
Net book amount	77,444	1,318	1,247	601	80,610
Year ended 30 June 2013					
Opening net book amount	77,444	1,318	1,247	601	80,610
Additions	-	13	1,854	25	1,892
Amortisation charge **	-	(386)	(805)	(119)	(1,310)
Closing net book amount	77,444	945	2,296	507	81,192
At 30 June 2013					
Cost	77,444	2,634	7,547	1,191	88,816
Accumulated amortisation and impairment	-	(1,689)	(5,251)	(684)	(7,624)
Net book amount	77,444	945	2,296	507	81,192
Year ended 30 June 2014					
Opening net book amount	77,444	945	2,296	507	81,192
Additions	-	529	3,617	-	4,146
Acquisition of subsidiary	8,421	-	494	-	8,915
Amortisation charge **	-	(487)	(1,374)	(123)	(1,984)
Closing net book amount	85,865	987	5,033	384	92,269
At 30 June 2014					
Cost	85,865	3,153	11,704	1,190	101,912
Accumulated amortisation and impairment	-	(2,166)	(6,671)	(806)	(9,643)
Net book amount	85,865	987	5,033	384	92,269

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

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

(a) Impairment tests for goodwill

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

	Australia \$'000	Total \$'000
2014		
Online Advertising	70,715	70,715
Data and Research	15,150	15,150
	85,865	85,865
2013		
Online Advertising	62,294	62,294
Data and Research	15,150	15,150
	77,444	77,444

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

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

CGU	Growth rate**		Discount rate***	
	2014 %	2013 %	2014 %	2013 %
Online Advertising	2.5	2.5	4.3	6.4
Data and Research	2.5	2.5	4.3	6.4

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

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

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

(c) Impact of possible changes in key assumptions

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

14. Current liabilities - Borrowings

	2014 \$'000	2013 \$'000
Commercial bill	9,842	54,525

The commercial bill with the National Australia Bank is \$10,000,000 net of establishment fees of \$158,000.

15. Current liabilities - Payables

	2014 \$'000	2013 \$'000
Trade payables	6,477	1,728
Accrued expenses	14,482	15,201
Other payables	1,781	2,291
	22,740	19,220

Details of related party payables are disclosed under note 25.

16. Current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee benefits	3,818	3,334

17. Deferred revenue

	2014 \$'000	2013 \$'000
Deferred advertising services revenue - see note 1(e)	5,535	5,297

18. Non-current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee benefits	938	721

19. Non-current liabilities - Borrowings

	2014 \$'000	2013 \$'000
Bank loan	164,841	-

This bank loan is part of an established facility of \$165,000,000, net of establishment fees of \$159,000, with the National Australia Bank and has an expiry date of 31 July 2017. In addition a facility of \$60,000,000 was established in July 2014 with the National Australia Bank. This facility was put in place in order to fund the acquisition of Stratton Finance and will expire on 31 July 2015.

20. Contributed equity

(a) Share capital	Notes	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares Fully paid	20(b)	237,828,965	236,181,964	77,603	70,104
		237,828,965	236,181,964	77,603	70,104

(b) Movements in ordinary share capital

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

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
	Opening balance	236,181,964		70,104
July 2013	Exercise of employee options	10,000	\$2.00	20
July 2013	Exercise of employee options	10,000	\$3.89	39
August 2013	Exercise of employee options	2,000	\$1.75	4
August 2013	Exercise of employee options	5,000	\$2.00	10
August 2013	Exercise of employee options	109,375	\$3.89	425
August 2013	Exercise of employee options	222,960	\$4.69	1,046
August 2013	Exercise of employee options	892,347	\$4.90	4,372
August 2013	Exercise of employee performance rights	67,819	\$0.00	-
September 2013	Exercise of employee options	5,000	\$2.00	10
September 2013	Exercise of employee options	7,500	\$3.89	29
October 2013	Exercise of employee options	165,000	\$4.90	808
November 2013	Exercise of employee options	85,000	\$4.90	417
December 2013	Exercise of employee options	10,000	\$4.90	49
March 2014	Exercise of employee options	30,000	\$4.90	147
May 2014	Exercise of employee options	25,000	\$4.90	123
	Balance	237,828,965		77,603

(c) Ordinary shares

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

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

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

(d) Employee share scheme

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

(e) Options and performance rights

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

(f) Capital risk management

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

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

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

There are no externally imposed capital requirements.

The Company's capital position at 30 June 2014 and 30 June 2013 was as follows:

	Notes	2014 \$'000	2013 \$'000
Total payables and borrowings	15, 14, 19	197,425	73,745
Less: cash and cash equivalents	9	(26,042)	(15,140)
Net debt		171,383	58,605
Total equity		187,376	152,510
Total capital		358,759	211,115

21. Reserves and retained earnings

(a) Reserves	2014 \$'000	2013 \$'000
Share-based payment reserve	18,735	14,901
Foreign currency translation reserve	(1,040)	7
	17,695	14,908

Movements:

Share-based payment reserve

Balance 1 July	14,901	7,646
Option expense	1,775	3,360
Tax on Employee Share Trust charged to equity	2,059	3,895
Balance 30 June	18,735	14,901

Movements:

Foreign currency translation reserve

Balance 1 July	7	(78)
Currency translation differences arising during the year	(1,047)	85
Balance 30 June	(1,040)	7

(b) Retained earnings

Movements in retained earnings were as follows:	2014 \$'000	2013 \$'000
Balance 1 July	67,498	59,068
Net profit for the year	95,457	83,516
Dividends	(72,009)	(75,086)
Balance 30 June	90,946	67,498

(c) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights issued but not exercised.

(ii) Foreign currency translation reserve

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

22. Dividends

(a) Ordinary shares	2014 \$'000	2013 \$'000
Final fully franked cash dividend for the year ended 30 June 2013 of 15.6 cents (2012 - 13.2 cents) per share paid on 25 September 2013.	37,052	45,100
Interim ordinary dividend for the year ended 30 June 2014 of 14.7 cents (2013 - 12.7 cents) per fully paid share paid on 2 April 2014. (10 April 2013). Fully franked (2013 - fully franked) based on tax paid @ 30%.	34,957	29,986
Total dividends provided for or paid	72,009	75,086
Paid in cash	72,009	75,086

(b) Dividends not recognised at year end	2014 \$'000	2013 \$'000
In addition to the above dividends, since year end the Directors have recommended the payment of 17.4 cents per fully paid ordinary share, (2013 - final dividend 15.6 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22nd October 2014 out of retained earnings at 30 June 2014, but not recognised as a liability at year end, is	41,408	36,827

(c) Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30.0% (2013 - 30.0%)	31,853	30,721
---	---------------	--------

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

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

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

23. Remuneration of auditors

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

(a) PricewaterhouseCoopers	2014 \$	2013 \$
PricewaterhouseCoopers firm		
Audit and review of financial reports	190,000	190,000
Controls and assurance services	-	15,000
Due diligence services	165,543	289,000
Total remuneration for audit and other assurance services	355,543	494,000
Taxation services		
Tax compliance services, including review of Company income tax returns	64,439	48,000
International tax consulting and tax advice on mergers and acquisitions	61,880	61,000
Total remuneration for taxation services	126,319	109,000
Other services		
Due diligence fees paid to PricewaterhouseCoopers network firms	91,755	-
Total remuneration of PricewaterhouseCoopers	573,617	603,000
(b) Non-PwC audit firms		
Audit and other assurance services		
Audit and review of financial statements	11,705	11,685
Total remuneration for audit and other assurance services	11,705	11,685
Taxation services		
Tax compliance services	51,782	48,444
Total remuneration for taxation services	51,782	48,444
Total remuneration of non-PricewaterhouseCoopers audit firms	63,487	60,129
Total auditors' remuneration	637,104	663,129

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

24. Commitments

Non-cancellable operating leases

The Group leases offices in a number of locations. The most significant of these leases is the Melbourne head office where the lease is a non-cancellable operating lease expiring within 6 years. Upon renewal date, the Company has the option to renew the lease for a further 2 years at terms which are negotiable. The Group also leases various motor cars and printers under non-cancellable operating leases.

	2014 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,828	3,279
Later than one year but not later than five years	14,621	12,726
Later than five years	598	3,897
	19,047	19,902

25. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 27.

(b) Key management personnel compensation

	2014 \$	2013 \$
Short-term employee benefits	5,228,798	4,629,625
Deferred short-term employee benefits	282,334	-
Post-employment benefits	140,180	137,333
Long-term employment benefits	222,192	76,331
Share-based payments	1,963,730	1,739,636
	7,837,234	6,582,925

(c) Transactions with other related parties

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

	2014 \$	2013 \$
Sales of goods and services		
Sale of services to related parties	772,284	573,027
Purchases of goods and services		
Purchases of goods and services from related parties	3,652,135	3,365,979

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

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

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

	2014 \$	2013 \$
Current receivables (sales of goods and services)		
Other related parties	135,710	126,033
Current payables (purchases of goods and services)		
Other related parties	805,886	503,537

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

26. Business combination

(a) Stratton acquisition

On 15 July 2014 carsales.com Ltd acquired 50.1% of Stratton Finance Pty Ltd (Stratton), an innovative vehicle finance business and long-term customer of carsales.com Ltd.

	\$'000
Purchase consideration:	
Cash Paid	59,118
The assets and liabilities acquired are estimated as follows:	
Cash and cash equivalents	4,425
Trade and other receivables	3,355
Plant and equipment	1,701
Inventory	1,035
Deferred tax assets	100
Intangible assets	3,064
Trade and other payables	(5,954)
Provisions	(725)
External loans	(593)
Tax liabilities	(3,464)
Net assets	2,944
Outside shareholders interests	(1,469)
Goodwill	57,643
Net assets acquired	59,118

The goodwill is attributable to the workforce, Stratton's strong position in a high growth market, its customer database, the high profitability of the business and synergistic benefits expected to be created by this acquisition. The goodwill is not expected to be deductible for tax purposes.

(i) Initial accounting

Both the net asset value and the allocation of the purchase price to acquired assets are still preliminary. In particular, the fair values assigned to intangible assets are still being assessed and may be subject to change. The acquisition accounting will be finalised within 12 months of the acquisition date.

(ii) Acquired receivables

The fair value of trade and other receivables is \$1,681,000 which includes trade receivables with a fair value of \$1,527,000. No trade receivables are considered uncollectable.

(iii) Non-controlling interest

In accordance with the accounting policy set out in note 1(h), the Group will recognise the non-controlling interests in Stratton at fair value rather than at the proportionate share of net identifiable assets. The fair value of the non-controlling interest will be determined with reference to the purchase price of the acquired interest, as this represented a transaction between a willing buyer and independent willing sellers.

The current ownership structure of Stratton is as follows:

carsales.com Ltd	50.1%
Non-controlling interests	
D'Azur Holdings Pty Ltd	35.4%
Other minor shareholders	14.5%
	100.0%

(iv) Revenue and profit contribution

As the acquisition date for Stratton was after 30 June 2014 no associated revenues or profits are included in the reported results.

(v) Year end

The Stratton Group has a 30 June year-end which aligns with that of carsales.com Ltd.

(vi) Acquisition related costs

Acquisition costs totalling \$182,202 have been recognised in the consolidated income statement in "operations and administration".

27. Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group *		Ownership interest held by non-controlling interests		Principal activities
		2014 %	2013 %	2014 %	2013 %	
Webpointclassifieds Pty Ltd	Australia	100.0	100.0	-	-	Classified advertising
Equipment Research Group Pty Ltd	Australia	100.0	100.0	-	-	Data and research
Discount Vehicles Australia Pty Ltd	Australia	100.0	100.0	-	-	Classified advertising
Automotive Data Services Pty Ltd	Australia	100.0	100.0	-	-	Data and research
Auto Information Limited	New Zealand	100.0	100.0	-	-	Data and research
Red Book Automotive Services (M) Sdn Bhd	Malaysia	100.0	100.0	-	-	Data and research
Red Book Automotive Data Services (Beijing) Limited	China	100.0	100.0	-	-	Data and research
Automotive Data Services (Thailand) Company Limited	Thailand	100.0	100.0	-	-	Data and research
Tyresales Pty Ltd **	Australia	50.0	-	50.0	-	Online retail
Automotive Exchange Holdings Pty Ltd	Australia	100.0	-	-	-	Holding company
Automotive Exchange Pty Ltd	Australia	50.0	-	50.0	-	Classified advertising
carsales.com Investments Pty Ltd	Australia	100.0	100.0	-	-	Holding company
carsales Holding Pty Ltd	Australia	100.0	-	-	-	Holding company
carsales Finance Pty Ltd	Australia	100.0	-	-	-	Holding company
carsales.com Ltd Employee Share Trust	Australia	-	-	-	-	Employee Share Trust

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

** In 2013 carsales.com Ltd did not have control and Tyresales Pty Ltd was accounted for under AASB128.

(b) Non-controlling interests (NCI)

	2014 \$'000	2013 \$'000
Interest in:		
Share capital	100	-
Retained earnings	1,032	-
	1,132	-

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

	Tyresales		Auto Exchange	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Summarised balance sheet				
Current assets	1,420	-	2,827	-
Current liabilities	(1,275)	-	(1,220)	-
Non-current assets	428	-	102	-
Net assets	573	-	1,709	-
Summarised statement of comprehensive income				
Profit for the period	80	-	1,550	-
Profit/(loss) allocated to NCI	40	-	775	-
Summarised cash flows				
Cash flows from operating activities	536	-	182	-
Cash flows from investing activities	(358)	-	(68)	-
Cash flows from financing activities	200	-	-	-
Net increases in cash and cash equivalents	378	-	114	-

(c) Interests in associates and joint ventures

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		2014 %	2013 %			2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Webmotors SA	Brazil	30.0	30.0	Associate	Equity method	-	-	93,323	90,535
iCar Asia	Indonesia	22.9	19.9	Associate	Equity method	57,106	16,537	19,146	13,431
SKENCARSALES	South Korea	49.9	-	Associate	Equity method	-	-	127,957	-
Tyresales *	Australia	-	50.0	Joint Venture	Equity Method	-	-	-	221
Total equity accounted investments								240,426	104,187

* Tyresales in 2013 was a joint venture but it is now consolidated.

(i) Commitments and contingent liabilities in respect of associates and joint ventures

	2014 \$'000	2013 \$'000
Commitments - joint ventures and associates		
<i>Contingent liabilities - associates</i>		
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	1,230	-

(ii) Summarised financial information for associates and joint ventures

	Webmotors SA		iCar Asia Ltd		SKENCARSales Pty Ltd	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000*	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Summarised balance sheet						
Total current assets	98,753	93,518	15,593	16,815	13,955	-
Total non-current assets	16,059	9,252	7,391	7,670	30,818	-
Total current liabilities	(5,569)	(3,757)	(1,523)	(1,905)	(3,527)	-
Total non-current liabilities	-	-	(1,831)	(1,858)	(8,184)	-
Net assets	109,242	99,013	19,630	20,722	33,062	-
Group's share in %	30.0	30.0	22.9	19.9	49.9	-
Group's share in \$	32,773	29,704	4,495	4,124	16,499	-
Goodwill	60,550	60,831	14,651	9,307	111,458	-
Carrying amount	93,323	90,535	19,146	13,431	127,957	-
Reconciliation of carrying value						
Opening carrying value	90,535	-	13,431	-	-	-
Investment in associate	430	90,535	7,705	13,634	126,475	-
Profit/(loss) for the period	4,609	-	(1,990)	(203)	815	-
Other comprehensive income	(1,607)	-	-	-	667	-
Dividends received	(644)	-	-	-	-	-
Closing carrying value	93,323	90,535	19,146	13,431	127,957	-
Summarised statement of comprehensive income						
Revenue	35,455	-	1,991	500	4,923	-
Profit from continuing operations	15,363	-	(9,448)	(1,020)	1,633	-
Other comprehensive income	(1,607)	-	-	-	667	-
Total comprehensive income	13,756	-	(9,448)	(1,020)	2,300	-
Carsales share						
Profit from continuing operations	4,609	-	(1,990)	(203)	815	-
Comprehensive income	(1,607)	-	-	-	667	-
Total	3,002	-	(1,990)	(203)	1,482	-
Dividends received from associates and joint venture entities	644	-	-	-	-	-

* These numbers are management estimates based on market available data.

28. Events occurring after the reporting period

On the 15 July 2014 carsales.com Ltd acquired 50% of Stratton Finance Pty Ltd out of additional funding acquired post 30 June 2014 (details are included under note 19). Details of this acquisition can be found in Note 26 - Business combination.

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

	2014 \$'000	2013 \$'000
Profit for the year	96,272	83,516
Depreciation and amortisation	3,309	2,553
Profit on sale of assets	(1)	(5)
Non-cash employee benefits expense - share-based payments	1,775	3,360
Share of (profit)/losses of associates and joint venture partnership	(3,434)	232
Net exchange differences	(22)	85
Change in operating assets and liabilities:		
(Increase) in trade debtors	(4,437)	(4,169)
Decrease/(Increase) in deferred tax assets	722	(1,544)
Decrease in other operating assets	315	723
Increase/(Decrease) in trade creditors	4,749	(249)
(Decrease)/Increase in other operating liabilities	(3,219)	6,379
Increase/(Decrease) in provision for income taxes payable	1,805	(1,697)
Decrease/(Increase) in loan establishment fees*	158	(475)
Increase in other provisions	701	427
Net cash inflow from operating activities	98,693	89,136

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

30. Earnings per share

(a) Basic earnings per share

	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	40.2	35.5
Total basic earnings per share attributable to the ordinary equity holders of the Company	40.2	35.5

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	40.0	35.2
Total diluted earnings per share attributable to the ordinary equity holders of the Company	40.0	35.2

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

	2014 \$'000	2013 \$'000
Basic earnings per share		
Profit from continuing operations	95,457	83,516
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	95,457	83,516

(d) Weighted average number of shares used as denominator

	2014	2013
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	237,466,757	235,244,384
Adjustments for calculation of diluted earnings per share:		
Options outstanding	1,322,631	1,814,145
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	238,789,388	237,058,529

(e) Information on the classification of securities

(i) Options and performance rights

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

31. Share-based payments

(a) Employee Option Plan

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

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Options granted during the year Number	Performance rights granted during the year Number	Total exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2014									
Jul 2007	Jun 2014	\$1.75	2,000	-	-	(2,000)	-	-	-
Jul 2007	Sep 2014	\$1.75	5,000	-	-	-	-	5,000	5,000
Sep 2008	Sep 2013	\$2.00	20,000	-	-	(20,000)	-	-	-
Mar 2010	Oct 2014	\$3.89	157,500	-	-	(126,875)	-	30,625	30,625
Oct 2010	Oct 2015	\$4.90	1,067,347	-	-	(892,347)	-	175,000	175,000
Mar 2011	Oct 2015	\$4.90	450,000	-	-	(315,000)	(35,000)	100,000	100,000
Oct 2011	Oct 2016	\$4.69	882,347	-	-	(222,960)	-	659,387	167,933
Oct 2011	Oct 2016	\$0.00	201,554	-	-	(67,819)	-	133,735	-
Mar 2012	Mar 2017	\$4.69	208,247	-	-	-	(43,964)	164,283	-
Mar 2012	Mar 2017	\$0.00	66,399	-	-	-	(14,020)	52,379	-
Oct 2012	Oct 2017	\$5.93	727,850	-	-	-	(17,462)	710,388	-
Oct 2012	Oct 2017	\$0.00	257,223	-	-	-	(6,311)	250,912	-
Oct 2013	Oct 2018	\$9.10	-	408,073	-	-	(1,917)	406,156	-
Oct 2013	Oct 2018	\$0.00	-	-	208,383	-	(727)	207,656	-
Total			4,045,467	408,073	208,383	(1,647,001)	(119,401)	2,895,521	478,558
Weighted average exercise price			\$4.33	\$9.10	\$0.00	\$4.55	\$4.18	\$4.57	\$4.71

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

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 2014 is estimated to be approximately \$10.61 (2013: approximately \$7.71).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.99 years (2013 - 3.12 years).

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

Options and performance rights are granted under the plan for no consideration with conditions including a vesting period and expiry date. For senior executives vesting conditions, including EPS targets, are noted in the Remuneration Report on page 28.

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

When exercisable, each option is convertible into one ordinary share in return for payment of the option's exercise price. Each performance rights is convertible into one ordinary share for \$0 exercise price, upon satisfaction of all vesting requirements.

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

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 is \$3.91 (2013 - between \$2.33 and \$2.43). The assessed value at grant date of performance rights granted during the year ended 30 June 2014 ranged between \$10.32 and \$10.58 (2013 - between \$6.73 and \$6.96). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option and performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 included:

- (a) Options are granted for no consideration. For vesting dates for senior executives, refer page 33.
- (b) Exercise price: \$9.10 (2013: \$5.93).
- (c) Grant date: October 2013 (2013: October 2012).
- (d) Expiry date: October 2018 (2013: October 2017).
- (e) Share price at grant date: \$10.55 (2013: \$7.71).
- (f) Expected price volatility of the Company's shares: 34% (2013: 34%).
- (g) Expected dividend yield: 2.5% (2013: 3.4%).
- (h) Risk-free interest rate: 4.1% (2013: 3.04%).

The model inputs for performance rights granted during the year ended 30 June 2014 included:

- (a) Performance rights are granted for no consideration. For vesting dates for senior executives, refer page 33.
- (b) Exercise price: \$0.
- (c) Grant date: October 2013 (2013: October 2012).
- (d) Expiry date: October 2018 (2013: October 2017).
- (e) Share price at grant date: \$10.55 (2013: \$7.71)
- (f) Expected price volatility of the Company's shares: 34% (2013: 34%)
- (g) Expected dividend yield: 2.5% (2013: 3.4%)
- (h) Risk-free interest rate: 4.1% (2013: 3.04%)

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

(b) Expenses arising from share-based payment transactions

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

	2014 \$'000	2013 \$'000
Options and performance rights issued under employee option plan	1,775	3,360

32. Parent entity financial information

(a) Summary financial information

	Parent entity	
	2014 \$'000	2013 \$'000
Balance sheet		
Current assets	53,553	42,095
Non-current assets	344,352	199,074
Total assets	397,905	241,169
Current liabilities	60,190	97,195
Non-current liabilities	166,008	721
Total liabilities	226,198	97,916
Shareholders' equity		
Issued capital	77,603	70,105
Reserves	17,711	14,902
Retained earnings	76,393	58,246
	171,707	143,253
Profit or loss for the year	81,759	70,223
Total comprehensive income	81,759	70,223

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 55 to 97 are in accordance with the Corporations Act 2001, including:

- (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

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

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

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



Greg Roebuck
Managing Director
Sydney, 13 August 2014



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

Report on the financial report

We have audited the accompanying financial report of carsales.com Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for carsales.com Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) the financial report of carsales.com Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 37 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of carsales.com Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Anton Linschoten
Partner

Melbourne
13 August 2014

Shareholder information

The shareholder information set out below was applicable as at 13 August 2014.

A. Distribution of equity securities

Holding	Class of equity security			
	Ordinary shares			
	Shares	Options and performance rights	Redeemable preference shares	Convertible notes
1 - 1,000	5,416	25	-	-
1,001 - 5,000	4,495	29	-	-
5,001 - 10,000	704	7	-	-
10,001 - 100,000	469	30	-	-
100,001 and over	85	5	-	-
	11,169	96	-	-

There were 137 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
J P Morgan Nominees Australia Limited	59,937,101	25.2
HSBC Custody Nominees (Australia) Limited	34,845,495	14.7
National Nominees Limited	30,108,458	12.7
Clear Way Investments Pty Ltd <James Family A/C>	14,000,000	5.9
Citicorp Nominees Pty Limited	11,305,891	4.8
BNP Paribas Noms Pty Ltd <DRP>	6,021,905	2.5
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	4,546,207	1.9
Citicorp Nominees Pty Limited <Colonial First State INV A/C>	3,903,641	1.6
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH Super Corp A/C>	3,747,375	1.6
Four Us Pty Ltd	2,926,555	1.2
National Nominees Limited <DB A/C>	2,803,995	1.2
Steven Kloss Pty Ltd	2,482,000	1.0
Billkaren Pty Ltd <Robinson Family A/C>	2,250,000	1.0
Essena Pty Ltd	1,711,722	0.7
Essena Pty Ltd <Lorimer Family A/C>	1,646,555	0.7
Kilienz Pty Ltd <PW & AE Aitken Family A/C>	1,400,000	0.6
UBS Nominees Pty Ltd	1,337,270	0.6
AMP Life Limited	1,312,434	0.6
Mr Andrew Gajtan Curmi	1,160,500	0.5
Gregory Paul Roebuck	1,024,450	0.4
	188,471,554	79.2

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Ltd Employee Option Plan to take up ordinary shares	2,895,521	96

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Hyperion Asset Management	28,703,183	12.1
JCP Investment Partners	16,413,962	6.9
FIL Investment Management Australia	14,891,613	6.3

D. Voting rights

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

(a) Ordinary shares

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

(b) Options

No voting rights.

carsales  **com ltd**

 carsales.com.au

 bikesales.com.au

 boatsales.com.au

 equipmentsales.com.au

 caravancampingsales.com.au

 homesales.com.au

 trucksales.com.au

 constructionsales.com.au

 farmmachinerysales.com.au

 quicksales.com.au

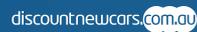
 **motoring**

 **RedBook.com.au**

 **CarPoint.com.au**

 **BoatPoint.com.au**

 **BikePoint.com.au**

 discountnewcars.com.au

 discountusedcars.com.au

 prestigeneucars.com.au

DATAMOTIVE

 LiveMarket™

mediamotive

PITCHI.COM

 **WebMotors**

 **iCarAsia**

 tyresales.com.au

 **SK encar**

 **stratton**

