carsales.com.au Ltd

ABN 91-074-444-018

Annual report for the year ended 30 June 2007

carsales.com.au Ltd ABN 91-074-444-018
Annual report - 30 June 2007

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carsales.com.au Ltd
Chairman's letter to shareholders
30 June 2007

Dear Shareholders

The Board is pleased to announce the audited results for June 2007 - another exceptional year for carsales.com.au Ltd.

The major financial highlights are as follows –
- Revenue increased by 63% from $28.8M to $46.8M
- Profit (EBITDA) increased by over 100% to $17.0M
- Net Profit (after tax) increased by almost 100% from $5.9M to $11.8M

Once again, these impressive financial results were achieved whilst continuing to make major investments in our brands, people, products, markets and technology.

In May of this financial year we acquired Discount Vehicles Australia and during August, post the close of 2007 financial year, we acquired the business of another icon of the Australian auto industry – The Red Book. These two acquisitions provide us new tools, products, resources and important overseas beachheads to continue our substantial growth.

Our leadership position has strengthened in our core business of online Automotive classifieds. We led all year with the Number 1 Auto Web Site, carsales.com.au and have progressed further by surpassing 1.6 Million Unique Visitors in August, 2007 leading the No. 2 site by over 560,000 Visitors*! As at the end of August 2007, we own and operate 5 of the top 10 Auto Websites in Australia*.

We are growing in all of the important indicators including number of dealers and manufacturers represented; cars; sales enquiries; visitors; private cars advertised; major brands owned; geographical footprint and staff.

Our deep consumer 'actual use' (pages published, number of user sessions and session duration) advantage over our competitors' 'cheap traffic grab' has and continues to greatly benefit us. The consumer increasingly turns to the Internet for their research when it comes to buying a car.

We would like to thank our dedicated, hard working and highly productive staff led by a very capable and increasingly professional management team. We look forward to many future successes and face this highly competitive marketplace with confidence that the year ahead will see substantial further growth in the top and bottom line of your company.

Sincerely
Wal Pisciotta
Chairman Oakleigh 17 September 2007

**Source Nielsen NetRatings 1 Sept. 2007..*

Dear Shareholders

Another 12 months have flown by at carsales.com.au Ltd. However this past year has been incredibly satisfying, as we've been able to move well and truly past the distraction and challenges of our merger with the 'points' businesses – carpoint / bikepoint / boatpoint / iHub / etc. and get back to driving the business forward.

This past year has seen us deliver an excellent financial result whilst still investing heavily in our brands and our future growth potential. We have recently added two more acquisitions to the carsales network in Discount Vehicles Australia (www.discountnewcars.com.au) and Automotive Data Services (www.redbook.com.au) however I am confident that the many synergies these businesses bring will be quickly realised. With the executive owners of these businesses continuing to hold key roles within the carsales operation, our potential to ensure a quick and seamless integration is far more assured.

As a result of the acquisition of Automotive Data Services discussed above, your business now has operations in New Zealand, China, Singapore and Thailand with customers in numerous other regions. Today, these customers are not in our core on-line classifieds markets, but provide us an excellent opportunity to explore this potential over the coming years.

Another recent acquisition saw us acquire the carsales.com domain name (note: no '.au' on the end!). This domain name had previously been owned by a cyber squatter and attempts over many years to obtain the name – including action under the World Intellectual Property Organisation regulations – had proved fruitless. Most of our competitors were buying space on the www.carsales.com website and as a result benefiting inappropriately from our traffic when consumers inadvertently went to that site instead of www.carsales.com.au. In addition, our ability to operate in other markets is dramatically enhanced as a result of being a "dot com" rather than a "dot com dot au".

August 07 also saw us hit another key milestone in our 10 year anniversary. Whilst a public company only since March of 2000, the company commenced operations as a private business way back in August of 1997. Many of the other 'overnight success stories' such as Seek Ltd. and ninemsn also commenced operations ten years ago and I truly believe that having suffered through the challenges – particularly when the tech market crashed in 2000 – has made your company a stronger and more successful business.

We have launched the DataMotive brand which delivers services including photography; web design; manufacturer services and data services to hundreds of clients. This coming financial year will see us launch the MediaMotive brand. MediaMotive will service the rapidly growing corporate (banner) advertising part of our business as a) we increase our network and b) more and more advertisers turn away from print and move to the place where the consumers are: the Internet.

The carsales network continues to grow with literally millions and millions of Australians coming to our sites, in fact around 1 in 5 of all on-line Australians visit a carsales.com.au owned website each month.

We have significantly invested in key executive positions, with the last year seeing us appoint new people into the most senior Marketing; Sales; Technology and Financial positions. I am absolutely thrilled by the quality and enthusiasm the entire executive team along with all of our staff, bring to work EVERY day – and I'd like to take this opportunity to publicly thank them for a great year.

Yours sincerely,

Greg Roebuck
Managing Director and CEO, Oakleigh, 17 September 2007

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com.au Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2007.

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

Wal Pisciotta
James Packer
Greg Roebuck
Ric Collins
John Alexander (director from the beginning of the year to date of resignation 12/07/2007)
Ian Law (appointed 19/2/07 and continues in office)
Pat O'Sullivan (appointed 29/6/07 and continues in office)
Gregg Haythorpe (director from the beginning of the year to date of resignation 16/02/07)
Adrian Mackenzie (appointed 20/7/2007 and continues in office)

Principal activities
During the year the principal continuing activities of the Group consisted of (a) internet automotive classified advertising and (b) sales/maintenance of software and websites supporting the automotive industry.

Dividends - carsales.com.au Ltd
Dividends paid to members during the financial year were as follows:

	2007 $	2006 $
Final franked ordinary dividend for the year ended 30 June 2006 of 1.1 cent (2006 - unfranked 1 cent) per fully paid share paid on 26 November 2006	**2,468,427**	1,313,533
Interim ordinary dividend for the year ended 30 June 2007 of 1.25 cents (2006 - 0.8 cents) per fully paid share paid on 16 April 2007	**2,815,005**	1,784,340
	5,283,432	3,097,873

Review of operations
During the year the group generated gross revenues of $46,792,457 (2006: $28,831,341). Operating Profits were $11,801,403 (2006: $5,911,999), please also refer to the Chairman's letter and Managing Director's review of operations for further information on the operations of the Group.

Significant changes in the state of affairs
Significant changes in the state of affairs of the Group during the financial year were as follows:

	2007 $
On the 10 May 2007 carsales.com.au acquired, in a single transaction, all the issued shares of Discount Vehicles Australia Ltd. Details of the fair value of the assets and liabilities acquired and goodwill is described in note 28 to the Financial Report. The purchase consideration is described as follows:	
Purchase Consideration	**19,000,001**
Fair value of shares issued	**3,000,000**
Direct Costs relating to the acquisition	**97,809**
Cost of business purchased	**22,097,810**

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

Matters subsequent to the end of the financial year
Since 30 June 2007 carsales.com.au Ltd acquired 100% of the issued share capital of Automotive Data Services Ltd. Details of the acquisition are contained in note 29 to the financial report.

Matters subsequent to the end of the financial year (continued)
Except for the acquisition detailed above, no other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may affect (a) the Goup's operations in future financial years (b) the results of those operations in future financial years, or (c) the Group's state of affairs in future financial years.

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

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

Information on directors

Wal Pisciotta (non executive chairman)
Experience and expertise
Date of birth 3/5/1950. He has more than 30 years experience in supplying computer services to the automotive industry and is also the Chairman of Reynolds & Reynolds Pty Ltd. Awarded a Bachelor of Science in Business Administration from the University of Alabama. Has been Chairman of carsales.com.au Ltd since its inception.

James Packer (non executive director)
Experience and expertise
Date of birth 8/9/1967. He has been the Executive Chairman of Publishing & Broadcasting Ltd (PBL) since May 1998 and is the Executive Chairman of Consolidated Press Holdings Limited and a Director of various companies including Challenger Financial Services Group Limited and Sunland Group Limited. He is also Chairman of Crown Limited, Burswood Limited and Seek Limited.

John Alexander (non executive director)
Experience and expertise
Date of birth 23/5/1951. He is the Chief Executive Officer and Managing Director of PBL. He is also a director of various companies including Crown Limited, Burswood Limited, Melco PBL Entertainment (Macau) Limited, Ninemsn Pty Limited, Foxtel Management Pty Limited, The Hoyts Corporation Pty Limited, Just Enough Faith Foundation Limited, a board member of The International Federation of the Periodical Press Limited and a council member of the Sydney Symphony Orchestra.

Ric Collins (non executive director)
Experience and expertise
Date of birth 4/1/1951. He has been a director of carsales.com.au Ltd since 2000 and has over 20 years experience as Dealer Principal, currently holding Ford, Toyota and Subaru Franchises. Holds a Bachelor of Economics Degree from Melbourne University

Greg Roebuck (managing director)
Experience and expertise
Date of birth 5/3/1960. He is a fellow of the Australian Institute of Company Directors. Has more than 20 years experience in providing technology solutions to the Australian automotive industry. Studied computer sciences at RMIT. Has been a director of carsales.com.au Ltd since its inception.

Patrick O'Sullivan (non executive director)
Experience and expertise
Date of Birth 19/01/1964. He is the Chief Financial Officer of the PBL Media Group. Prior to this position he was the Chief Operating Officer of PBL, a position he had held since February 2006. Before joining PBL, Mr O'Sullivan was the Chief Financial Officer of Optus. Mr O'Sullivan is currently a member of The Institute of Chartered Accountants in Ireland and The Institute of Chartered Accountants in Australia, and is a graduate of the Harvard Business School's Advanced Management Programme.

Ian Law (non executive director)
Experience and expertise
Date of birth 31/08/1951. He is Chief Executive Officer of PBL Media and started at PBL in May 2006 where he occupied the role of CEO of ACP Magazines Ltd. Between 2002 and 2006 Mr Law was the Managing Director and Chief Executive Officer of West Australian Newspaper Holdings Limited. Prior to joining West Australian Newspaper Holdings Limited Mr Law held a number of senior management roles with Rural Press Limited. Mr Law is a member of the Australian Institute of Company Directors.

Company secretary
Guy Jalland (LLB) and Louise Arther (B.Bus LLB (Hons)) were appointed to the role of company secretary on 19/02/2007. Guy is currently Group Council and Joint Company Secretary for PBL and Louise is Legal Council for PBL.

Meetings of directors
The numbers of meetings of the company's board of directors held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

	Full meetings of directors		Remuneration	
	A	**B**	**A**	**B**
W Pisciotta	6	6	1	1
J Packer	4	6		
J Alexander	5	6		
R Collins	4	6		
G Haythorpe	5	6	1	1
G Roebuck	6	6	1	1

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

Share options granted to directors and the most highly remunerated officers
Options over unissued ordinary shares of carsales.com.au Ltd granted during or since the end of the financial year to the Directors and to the most highly remunerated officers of the company as part of their remuneration were as follows:

	Options granted
Directors	
W Pisciotta *(Non executive chairman)*	133,000
R Collins *(Non executive director)*	133,000
G Haythorpe *(Non executive director)*	133,000
G Roebuck *(Managing director)*	500,000
	899,000
Other executives of carsales.com.au Ltd	
Mike Sinclair *Editor in Chief*	75,000
G Taylor *Chief Information Officer*	75,000
David Campsell *General manager Marine & Industry*	75,000
Wayne George *Chief Technical officer*	75,000
Damian Hardy *General Manager Dealer Services / Datamotive & Research*	75,000
Nigel Dearing *Executive Producer & Customer Services Manager*	75,000
Kimberly Carollo *National Sales Director*	75,000
	525,000

The options were granted under the carsales.com.au Ltd Option Plan. Details of options granted to the directors and the most highly remunerated officers of the Group can be found in note 23. No options have been granted since the end of the year.

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
Jul-2000	Jul-2010	$0.20	585,000
Aug-2004	Aug-2009	$0.35	500,000
Dec-2004	Dec-2009	$0.35	75,000
Jun-2006	Nov-2010	$0.70	1,192,500
Oct-2006	Oct-2010	$1.05	272,500
Oct-2006	Nov-2010	$0.70	399,000
Dec-2006	Dec-2011	$0.70	100,000
Feb-2007	Nov-2011	$1.05	925,000
Jul-2007	Jun-2014	$1.75	125,000
			4,174,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

The following ordinary shares of carsales.com.au Ltd were issued during the year ended 30 June 2007 on the exercise of options granted under the carsales.com.au Ltd Employee Option Plan. In the period since 30 June 2007, a further 170,000 shares were issued following the exercise of employee options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
Jul-2000	$0.20	470,000
Aug-2001	$0.20	100,000
Dec-2000	$0.20	50,000
Dec-2002	$0.25	900,000
Oct-2003	$0.25	50,000
Aug-2004	$0.35	600,000
Dec-2004	$0.35	100,000
Jun-2006	$0.70	445,000
		2,715,000

Insurance of officers

During the financial year, carsales.com.au Ltd paid a premium of $10,415 to insure the directors, officers and secretaries of the Group.

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

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Wal Pisciotta
Director

Greg Roebuck
Director

Oakleigh
17 September 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of carsales.com.au Ltd for the year ended 30 June 2007, 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.au Ltd and the entities it controlled during the period.

W. Tarrant

W L Tarrant

Partner
PricewaterhouseCoopers

Melbourne
17 September 2007

carsales.com.au Ltd ABN 91-074-444-018
Annual report - 30 June 2007

Contents

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

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

carsales.com.au Ltd
77 Atherton Road
Oakleigh Vic 3166

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 1, the Managing Director's review of operations on page 2 and in the directors' report on pages 3-8, each of which are not part of this financial report.

The financial report was authorised for issue by the directors on 17 September 2007.

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

carsales.com.au Ltd
Income statements
For the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Revenue from continuing operations	5	**46,792,457**	28,831,341	**34,384,715**	19,357,332
Other income		**3,636**	-	**3,636**	-
Depreciation and amortisation expense		**(493,816)**	(425,044)	**(419,577)**	(391,211)
Sales and marketing expenses		**(14,608,967)**	(9,605,833)	**(9,095,185)**	(6,106,423)
Service development and maintenance		**(3,260,291)**	(2,190,258)	**(1,981,153)**	(1,422,480)
Operations and administration		**(11,262,944)**	(8,196,013)	**(7,254,736)**	(5,992,823)
Finance costs	6	**(7,164)**	(13,061)	**(6,989)**	(12,846)
Profit before income tax		**17,162,911**	8,401,132	**15,630,711**	5,431,549
Income tax expense	7	**(5,361,508)**	(2,489,133)	**(3,462,780)**	(1,605,751)
Profit from continuing operations		**11,801,403**	5,911,999	**12,167,931**	3,825,798
Profit attributable to members of carsales.com.au Ltd		**11,801,403**	5,911,999	**12,167,931**	3,825,798

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	31	**5.2**	3.1
Diluted earnings per share	31	**5.2**	3.0

	Notes	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	31	**5.2**	3.1
Diluted earnings per share	31	**5.2**	3.0

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

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
ASSETS					
Current assets					
Cash and cash equivalents	8	5,691,162	9,803,495	3,016,813	5,605,063
Trade and other receivables	9	6,578,628	4,614,946	4,210,860	2,301,887
Total current assets		12,269,790	14,418,441	7,227,673	7,906,950
Non-current assets					
Property, plant and equipment	12	753,177	545,897	558,328	415,144
Deferred tax assets	13	552,268	399,723	320,390	276,210
Other financial assets	11	-	-	68,212,840	46,115,032
Intangible assets	14	65,785,243	44,239,971	570,821	88,381
Total non-current assets		67,090,688	45,185,591	69,662,379	46,894,767
Total assets		79,360,478	59,604,032	76,890,052	54,801,717
LIABILITIES					
Current liabilities					
Trade and other payables	15	3,055,363	3,872,958	4,375,575	2,201,881
Interest bearing liabilities	16	6,452,148	142,025	6,446,307	142,025
Current tax liabilities		5,128,861	1,812,582	3,404,704	968,221
Provisions	17	680,712	469,775	502,874	390,755
Total current liabilities		15,317,084	6,297,340	14,729,460	3,702,882
Non-current liabilities					
Provisions	19	403,964	344,508	259,251	222,852
Interest bearing liabilities	18	18,416	38,148	-	38,148
Total non-current liabilities		422,380	382,656	259,251	261,000
Total liabilities		15,739,464	6,679,996	14,988,711	3,963,882
Net assets		63,621,014	52,924,036	61,901,341	50,837,835
EQUITY					
Contributed equity	20	60,590,676	56,568,069	60,590,676	56,568,069
Reserves	21(a)	303,025	146,625	303,025	146,625
Retained profits (accumulated losses)	21(b)	2,727,313	(3,790,658)	1,007,640	(5,876,859)
Total equity		63,621,014	52,924,036	61,901,341	50,837,835

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

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Total equity at the beginning of the financial year		**52,924,036**	4,631,035	**50,837,835**	4,631,035
Profit for the year		**11,801,403**	5,911,999	**12,167,931**	3,825,798
Total recognised income and expense for the year		**11,801,403**	5,911,999	**12,167,931**	3,825,798
Contributions of equity, net of transaction costs	20	**3,000,000**	45,250,000	**3,000,000**	45,250,000
Contributions of equity upon excercise of employee share options	20	**1,022,607**	156,000	**1,022,607**	156,000
Dividends provided for or paid	22	**(5,283,432)**	(3,097,873)	**(5,283,432)**	(3,097,873)
Increase in employee share options reserve	21	**156,400**	72,875	**156,400**	72,875
		(1,104,425)	42,381,002	**(1,104,425)**	42,381,002
Total equity at the end of the financial year		**63,621,014**	52,924,036	**61,901,341**	50,837,835

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

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Cash flows from operating activities					
Receipts from customers (incl GST)		**49,223,572**	28,625,527	**34,420,464**	20,480,483
Payments to suppliers and employees (incl GST)		**(34,400,633)**	(19,899,462)	**(21,105,406)**	(14,121,346)
		14,822,939	8,726,065	**13,315,058**	6,359,137
Interest received		**614,846**	288,869	**359,652**	210,869
Interest paid		**(7,164)**	(13,061)	**(6,989)**	(12,846)
Income taxes paid		**(2,241,311)**	(162,536)	**(1,070,478)**	-
Net cash (outflow) inflow from operating activities	30	**13,189,310**	8,839,337	**12,597,243**	6,557,160
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	27	**(18,068,478)**	1,096,984	**(19,097,810)**	(865,031)
Payments for property, plant and equipment		**(651,438)**	(311,705)	**(619,038)**	(265,944)
Payments for domain names		**(483,716)**	(38,381)	**(482,440)**	(38,381)
Proceeds from sale of property, plant and equipment		**3,636**	-	**3,636**	-
Dividends received		**-**	-	**3,107,101**	-
Net cash (outflow) inflow from investing activities		**(19,199,996)**	746,898	**(17,088,551)**	(1,169,356)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**920,357**	156,000	**920,357**	156,000
Proceeds from borrowings		**6,404,928**	-	**6,404,928**	-
Repayment of borrowings		**(143,500)**	(76,358)	**(138,795)**	(76,359)
Dividends paid to company's shareholders	22	**(5,283,432)**	(3,097,873)	**(5,283,432)**	(3,097,873)
Net cash inflow (outflow) from financing activities		**1,898,353**	(3,018,231)	**1,903,058**	(3,018,232)
Net increase (decrease) in cash and cash equivalents		**(4,112,333)**	6,568,004	**(2,588,250)**	2,369,572
Cash and cash equivalents at the beginning of the financial year		**9,803,495**	3,235,491	**5,605,063**	3,235,491
Cash and cash equivalents at end of year	8	**5,691,162**	9,803,495	**3,016,813**	5,605,063
Financing arrangements	18				
Non-cash financing and investing activities					

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of carsales.com.au Ltd Group comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

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

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

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com.au Ltd ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. carsales.com.au Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies (continued)

(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.au Ltd's functional and presentation currency.

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

(e) Revenue recognition

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

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

(ii) Data Services
A sale is recorded when data services have been provided to a customer leading to an enforceable claim by the Group.

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

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

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

1 Summary of significant accounting policies (continued)

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

carsales.com.au Ltd and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(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 lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement 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 shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

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

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

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed 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 balance sheet.

(k) Trade receivables

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

1 Summary of significant accounting policies (continued)

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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 provision is recognised in the income statement.

(l) Investments and other financial assets

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

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 9 and 10).

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

(m) Property, plant and equipment

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

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

Depreciation on other 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

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

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

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

1 Summary of significant accounting policies (continued)

(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 reporting segment (note 4).

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

(o) Trade and other payables

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

(p) Borrowings

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

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

(q) Borrowing costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.02% (2006 - 7.45%).

(r) Employee benefits

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

1 Summary of significant accounting policies (continued)

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the carsales.com.au Ltd Option Plan. Information relating to these schemes is set out in note 32.

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

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

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(s) Contributed equity

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

(t) Dividends

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

(u) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

1 Summary of significant accounting policies (continued)

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(w) Goods and Services Tax (GST)

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

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

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

2 Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of services are made to customers with an acceptable credit risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions.

3 Critical accounting estimates and judgements (continued)

(ii) Share Value on Acquisition
The Group determined the fair value of equity instruments issued on acquisition based upon value in use calculations of net assets acquired. These calculations require the use of assumptions and is sensitive to estimates of future performance and the discount rates used (Refer to Note 27).

4 Segment information

(a) Description of segments

Business segments
The Group principally operates in two business segments, namely Automotive Classified Services and Automotive Research Services. As the Automotive Research Services segment is less than 10% of the Group, no specific disclosures have been made. All activities are principally conducted in the Australian Market.

5 Revenue

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
From continuing operations				
Sales revenue				
Sale of services	46,177,611	28,542,472	30,917,962	19,146,463
Other revenue				
Interest	614,846	288,869	359,652	210,869
Dividends	-	-	3,107,101	-
	614,846	288,869	3,466,753	210,869
	46,792,457	28,831,341	34,384,715	19,357,332

6 Expenses

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Profit before income tax includes the following specific expenses:				
Employee Benefits	11,090,092	8,056,748	8,079,196	5,933,247
Interest and finance charges paid/payable	7,164	13,061	6,989	12,846
Minimum lease payments	518,747	807,710	333,419	510,710
Research and development	882,110	794,898	657,624	347,212

7 Income tax expense

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
(a) Income tax expense				
Current tax	5,224,513	1,925,705	3,418,600	968,221
Deferred tax	136,995	563,428	44,180	637,530
Initial recognition of prior year tax losses upon assessment of recoverability	-	-	-	-
	5,361,508	2,489,133	3,462,780	1,605,751
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 13)	(136,995)	(563,428)	(44,180)	(637,530)
	(136,995)	(563,428)	(44,180)	(637,530)

7 Income tax expense (continued)

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

Profit from continuing operations before income tax expense	**17,162,911**	8,401,132	**15,630,711**	5,431,549
Tax at the Australian tax rate of 30% (2006 - 30%)	**5,148,873**	2,520,340	**4,689,213**	1,629,465
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**78,302**	21,862	**78,302**	21,862
Non-taxable dividends	**-**	-	**(932,130)**	-
Sundry items	**134,333**	(53,069)	**(372,665)**	(45,576)
Initial recognition of prior year tax losses upon assessment of recoverability	**-**	-	**-**	-
Total income tax expense	**5,361,508**	2,489,133	**3,462,720**	1,605,751

8 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Cash in hand	**2,888**	6,113	**503**	503
Bank balances	**5,688,274**	4,397,382	**3,016,310**	2,804,560
Deposits at call	**-**	5,400,000	**-**	2,800,000
	5,691,162	9,803,495	**3,016,813**	5,605,063

(a) Cash at bank and in hand

Cash in hand is non interest bearing. Bank balances attract interest at a rate of 5.5% (2006: 5%).

(b) Deposits at call

The deposits were bearing fixed interest rates of approx 5.6%. These deposits had an average maturity of 30 days.

9 Current assets - Receivables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Net trade receivables				
Trade receivables	**7,988,804**	5,939,774	**4,819,701**	2,878,660
Deferred revenue	**(1,273,584)**	(1,207,176)	**(741,566)**	(651,694)
Provision for doubtful receivables	**(416,786)**	(288,634)	**(93,269)**	(89,774)
	6,298,434	4,443,964	**3,984,866**	2,137,192
Prepaid expenses	**277,768**	165,142	**223,568**	158,981
	277,768	165,142	**223,568**	158,981
Other receivables	**2,426**	5,840	**2,426**	5,714
	6,578,628	4,614,946	**4,210,860**	2,301,887

9 Current assets - Receivables (continued)

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $114,598 (2006: $102,802) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

(b) 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.

10 Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2007	Non-interest bearing $	Total $
Trade receivables	6,298,434	6,298,434
Other receivables	2,426	2,426
	6,300,860	6,300,860

2006	Non-interest bearing $	Total $
Trade receivables	4,443,964	4,443,964
Other receivables	5,840	5,840
	4,449,804	4,449,804

11 Non-current assets - Other financial assets

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Shares in subsidiaries (note 28)	-	-	68,212,840	46,115,032
	-	-	68,212,840	46,115,032

These financial assets are carried at cost.

12 Non-current assets - Property, plant and equipment

Consolidated	Plant and equipment $	Motor vehicles $	Leasehold improvements $	Total $
At 1 July 2005				
- Cost	1,304,860	31,284	111,091	1,447,235
Accumulated depreciation	(826,764)	(31,284)	(48,776)	(906,824)
Net book amount	478,096	-	62,315	540,411
Year ended 30 June 2006				
Opening net book amount	478,096	-	62,315	540,411
Acquisition of subsidiary	118,825	-	-	118,825
Additions	311,705	-	-	311,705
Depreciation charge	(395,317)	-	(29,727)	(425,044)
Closing net book amount	513,309	-	32,588	545,897
At 30 June 2006				
- Cost	1,735,389	31,284	111,091	1,877,764
Accumulated depreciation	(1,222,080)	(31,284)	(78,503)	(1,331,867)
Net book amount	513,309	-	32,588	545,897

Consolidated	Plant and equipment $	Motor vehicles $	Leasehold improvements $	Total $
Year ended 30 June 2007				
Opening net book amount	513,309	-	32,588	545,897
Acquisition of subsidiary	64,496	48,611	-	113,107
Additions	400,957	-	187,032	587,989
Depreciation charge	(362,006)	(1,753)	(130,057)	(493,816)
Closing net book amount	616,756	46,858	89,563	753,177
At 30 June 2007				
- Cost	2,354,541	84,271	298,123	2,736,935
Accumulated depreciation	(1,737,785)	(37,413)	(208,560)	(1,983,758)
Net book amount	616,756	46,858	89,563	753,177

Parent	Plant and equipment $	Motor vehicles $	Leasehold improvements $	Total $
At 1 July 2005				
- Cost	1,304,860	31,284	111,091	1,447,235
Accumulated depreciation	(826,764)	(31,284)	(48,776)	(906,824)
Net book amount	478,096	-	62,315	540,411
Year ended 30 June 2006				
Opening net book amount	478,096	-	62,315	540,411
Additions	265,944	-	-	265,944
Depreciation charge	(361,484)	-	(29,727)	(391,211)
Closing net book amount	382,556	-	32,588	415,144
At 30 June 2006				
- Cost	1,570,803	31,284	111,091	1,713,178
Accumulated depreciation	(1,188,247)	(31,284)	(78,503)	(1,298,034)
Net book amount	382,556	-	32,588	415,144

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

Parent	Plant and equipment $	Leasehold improvements $	Total $
Year ended 30 June 2007			
Opening net book amount	382,556	32,588	415,144
Additions	375,729	187,032	562,761
Depreciation charge	(289,520)	(130,057)	(419,577)
Closing net book amount	468,765	89,563	558,328
At 30 June 2007			
- Cost	1,946,532	298,123	2,244,655
Accumulated depreciation	(1,477,767)	(208,560)	(1,686,327)
Net book amount	468,765	89,563	558,328

13 Non-current assets - Deferred tax assets

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**125,036**	98,951	**27,981**	45,551
Employee benefits	**325,402**	244,285	**228,638**	184,082
Expense Provisions and Accruals	**101,830**	56,487	**63,771**	46,577
	552,268	399,723	**320,390**	276,210
Net deferred tax assets	**552,268**	399,723	**320,390**	276,210
Movements:				
Opening balance at 1 July 2006	**399,723**	913,740	**276,210**	913,740
Credited/(charged) to the income statement (note 7)	**136,995**	(563,428)	**44,180**	(637,530)
Acquisition of subsidiary (note 27)	**15,550**	49,411	**-**	-
Closing balance at 30 June 2007	**552,268**	399,723	**320,390**	276,210
Deferred tax assets to be recovered after more than 12 months	**552,268**	399,723	**320,390**	276,210
	552,268	399,723	**320,390**	276,210

14 Non-current assets - Intangible assets

Consolidated	Goodwill $	Patents, trademarks and other rights $	Total $
At 1 July 2005			
Cost	-	50,000	50,000
Accumulated amortisation and impairment	-	-	-
Net book amount	-	50,000	50,000
Year ended 30 June 2006			
Opening net book amount	-	50,000	50,000
Additions	-	38,381	38,381
Acquisition of subsidiary	44,151,590	-	44,151,590
Closing net book amount	44,151,590	88,381	44,239,971
At 30 June 2006			
Cost	44,151,590	88,381	44,239,971
Accumulated amortisation and impairment	-	-	-
Net book amount	44,151,590	88,381	44,239,971

Consolidated	Goodwill $	Patents, trademarks and other rights $	Total $
Year ended 30 June 2007			
Opening net book amount	44,151,590	88,381	44,239,971
Additions	-	483,717	483,717
Acquisition of subsidiary	21,044,753	16,802	21,061,555
Closing net book amount	65,196,343	588,900	65,785,243
At 30 June 2007			
Cost	65,196,343	588,900	65,785,243
Accumulated amortisation and impairment	-	-	-
Net book amount	65,196,343	588,900	65,785,243

14 Non-current assets - Intangible assets (continued)

Parent	Patents, trademarks and other rights $	Total $
At 1 July 2005		
Cost	50,000	50,000
Accumulated amortisation and impairment	-	-
Net book amount	50,000	50,000
Year ended 30 June 2006		
Opening net book amount	50,000	50,000
Additions	38,381	38,381
Closing net book amount	88,381	88,381
At 30 June 2006		
Cost	88,381	88,381
Accumulated amortisation and impairment	-	-
Net book amount	88,381	88,381

Parent	Patents, trademarks and other rights $	Total $
Year ended 30 June 2007		
Opening net book amount	88,381	88,381
Additions	482,440	482,440
Closing net book amount	570,821	570,821
Cost	570,821	570,821
Accumulated amortisation and impairment	-	-
Net book amount	570,821	570,821

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

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

2007	Australia $	Total $
Automotive classifieds	61,222,700	61,222,700
Automotive research	3,973,643	3,973,643
	65,196,343	65,196,343

2006	Australia $	Total $
Automotive classifieds	40,177,947	40,177,947
Automotive research	3,973,643	3,973,643
	44,151,590	44,151,590

14 Non-current assets - Intangible assets (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

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

CGU	Gross margin *		Growth rate **		Discount rate ***	
	2007	2006	**2007**	2006	**2007**	2006
	%	%	**%**	%	**%**	%
Automotive Classifieds	**38.0**	30.0	**2.5**	8.6	**11.5**	13.0
Automotive Research	**38.0**	30.0	**2.5**	5.0	**11.5**	13.0

* Budgeted gross margin
** 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 post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rates are disclosed above.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

15 Current liabilities - Payables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Trade payables	**843,828**	1,286,826	**660,992**	668,607
Amounts due to subsidiaries	**-**	-	**2,252,885**	-
Accrued expenses	**2,211,537**	2,586,132	**1,461,698**	1,533,274
	3,055,363	3,872,958	**4,375,575**	2,201,881

16 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Secured				
Hire Purchase Liabilities (note 25)	**47,220**	142,025	**41,379**	142,025
Bills Payable	**6,404,928**	-	**6,404,928**	-
Total secured current interest bearing borrowings	**6,452,148**	142,025	**6,446,307**	142,025
Total current interest bearing borrowings	**6,452,148**	142,025	**6,446,307**	142,025

(a) Bills payable

Bills have been drawn as a source of short-term financing on a needs basis. They mature on 09 August 2007 and bear fixed interest at 6.4% per annum payable on maturity.

16 Current liabilities - Interest bearing liabilities (continued)

(b) Security

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

The Bills Payable are secured by registered Mortgage Debenture over the carsales.com.au Ltd Group.

17 Current liabilities - Provisions

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Employee benefits	680,712	469,775	502,874	390,755
	680,712	469,775	502,874	390,755

18 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Secured				
Hire Purchase Liabilities (note 25)	18,416	38,148	-	38,148
Total secured non-current interest bearing borrowings	18,416	38,148	-	38,148
Total non-current interest bearing liabilities	18,416	38,148	-	38,148

(a) Assets pledged as security

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

(b) Financing arrangements

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
Bank overdrafts	-	200,000	-	200,000
Unsecured bill acceptance facility	10,000,000	-	10,000,000	-
	10,000,000	200,000	10,000,000	200,000
Used at balance date				
Bank overdrafts	-	-	-	-
Unsecured bill acceptance facility	6,404,928	-	6,404,928	-
	6,404,928	-	6,404,928	-
Unused at balance date				
Bank overdrafts	-	200,000	-	200,000
Unsecured bill acceptance facility	3,595,072	-	3,595,072	-
	3,595,072	200,000	3,595,072	200,000

The Commercial Bill facilities may be drawn at any time and are subject to annual review.

18 Non-current liabilities - Interest bearing liabilities (continued)

The current interest rate at 30 June 2007 is 6.4% .

(c) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2007	Fixed Interest rate 1 year or less	Over 1 to 2 years	Total
	$	$	$
Bills payable (note 16)	6,404,928	-	6,404,928
Hire Purchase Liabilities (notes 16, 18 and 25)	47,220	18,416	77,744
	6,452,148	18,416	6,482,672
Weighted average interest rate	6 %	6 %	

2006	Fixed interest rate 1 year or less	Over 1 to 2 years	Total
Hire Purchase liabilities (notes 16, 18 and 25)	142,025	38,148	180,173
	142,025	38,148	180,173
Weighted average interest rate	6 %	6 %	

19 Non-current liabilities - Provisions

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
	$	$	$	$
Employee benefits	403,964	344,508	259,251	222,852
	403,964	344,508	259,251	222,852

20 Contributed equity

	Parent 2007	Parent 2006	Parent 2007	Parent 2006
	Shares	Shares	$	$
(a) Share capital				
Ordinary shares				
Fully paid	227,626,800	223,197,515	60,590,676	56,568,069
	227,626,800	223,197,515	60,590,676	56,568,069

20 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2005	Opening balance	131,253,334		11,162,069
July 2005	Exercise of employee options	100,000	$0.25	25,000
September 2004	Exercise of employee options	50,000	$0.20	10,000
	Issued in consideration for acquisition of ACP Points Pty Ltd and Equipment Research Group Pty Ltd	91,314,181	$0.50	45,250,000
October 2005	Exercise of employee options	70,000	$0.20	14,000
November 2005	Exercise of employee options	10,000	$0.20	2,000
January 2006	Exercise of employee options	35,000	$0.20	7,000
January 2006	Exercise of employee options	100,000	$0.25	25,000
January 2006	Exercise of employee options	100,000	$0.35	35,000
February 2006	Exercise of employee options	10,000	$0.20	2,000
May 2006	Exercise of employee options	145,000	$0.20	29,000
June 2006	Exercise of employee options	10,000	$0.20	2,000
December 2006	Transfer from share-based payments reserve	-	$-	5,000
30 June 2006	Balance	223,197,515		56,568,069
1 July 2006	Opening balance	223,197,515		56,568,069
July 2006	Exercise of employee options	50,000	$0.25	12,500
August 2006	Exercise of employee options	10,000	$0.20	2,000
September 2006	Exercise of employee options	80,000	$0.20	16,000
October 2006	Exercise of employee options	25,000	$0.20	5,000
October 2006	Exercise of employee options	200,000	$0.35	70,000
November 2006	Exercise of employee options	300,000	$0.20	60,000
November 2006	Exercise of employee options	500,000	$0.25	125,000
November 2006	Exercise of employee options	300,000	$0.35	105,000
December 2006	Exercise of employee options	55,000	$0.20	11,000
December 2006	Exercise of employee options	100,000	$0.35	35,000
December 2006	Exercise of employee options	157,857	$0.70	110,500
December 2006	Transfer from share-based payments reserve			39,893
January 2007	Exercise of employee options	95,000	$0.20	19,000
February 2007	Exercise of employee options	25,000	$0.20	5,000
February 2007	Exercise of employee options	130,000	$0.70	91,000
March 2007	Exercise of employee options	10,000	$0.20	2,000
May 2007	Exercise of employee options	10,000	$0.20	2,000
May 2007	Exercise of employee options	7,143	$0.70	5,000
May 2007	Issued in consideration for acquisition of Discount Vehicles Australia Ltd.	1,714,285	$1.75	3,000,000
June 2007	Exercise of employee options	100,000	$0.35	35,000
June 2007	Exercise of employee options	150,000	$0.70	105,000
June 2007	Exercise of employee options	10,000	$0.20	2,000
June 2007	Exercise of employee options	400,000	$0.25	100,000
June 2007	Transfer from share-based payments reserve			64,714
30 June 2007	Balance	227,626,800		60,590,676

(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.

20 Contributed equity (continued)

(d) Options

Information relating to the carsales.com.au Ltd Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 32.

21 Retained profits (Accumulated Losses)

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
(a) Reserves				
Employee options reserve	303,025	146,625	303,025	146,625
	303,025	146,625	303,025	146,625

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Movements:				
Share-based payments reserve				
Balance 1 July	146,625	73,750	146,625	73,750
Option expense	261,007	72,875	261,007	72,875
Transfer to share capital (options exercised)	(104,607)	-	(104,607)	-
Balance 30 June	303,025	146,625	303,025	146,625

(b) Retained profits

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

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Balance 1 July	(3,790,658)	(6,604,784)	(5,876,859)	(6,604,784)
Profit for the year	11,801,403	5,911,999	12,167,931	3,825,798
Dividends	(5,283,432)	(3,097,873)	(5,283,432)	(3,097,873)
Balance 30 June	2,727,313	(3,790,658)	1,007,640	(5,876,859)

(c) Nature and purpose of reserves

(i) Employee Options reserve

The Employee Options reserve is used to recognise the fair value of options issued but not exercised.

22 Dividends

	Parent 2007 $	Parent 2006 $
(a) Ordinary shares		
Final franked ordinary dividend for the year ended 30 June 2006 of 1.1 cent (2006 - unfranked 1 cent) per fully paid share paid on 26 November 2006		
Fully franked (2006 - Unfranked)	2,468,427	1,313,533
Interim ordinary dividend for the year ended 30 June 2007 of 1.25 cents (2006 - 0.8 cents) per fully paid share paid on 16 April 2007		
Fully franked (2006 - Unfranked)	2,815,005	1,784,340
Total dividends provided for or paid	5,283,432	3,097,873
Paid in cash	5,283,432	3,097,873

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2006 - 30%)	5,150,191	1,975,116	3,424,281	968,220
	5,150,191	1,975,116	3,424,281	968,220

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment for the amount of the provision for income tax.

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

23 Key management personnel disclosures

(a) Directors

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

(i) Chairman - non-executive
W Pisciotta

(ii) Executive directors
G Roebuck

(iii) Non-executive directors
J Alexander
J Packer
R Collins
I Law (appointed 19/02/07)
P O'Sullivan (appointed 29/06/07)
G Haythorpe (resigned 16/02/07)

23 Key management personnel disclosures (continued)

(b) Other key management personnel

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

Name	*Position*	*Employer*
A Beecher (resigned 02/03/07)	General Manager Marketing and Business Operations	carsales.com.au Ltd
D Campsell	General Manager Marine & Industry	Webpointclassifieds Pty Ltd
G Taylor	Chief Information Officer	Carsales.com.au
N Dearing	Executive Producer & Customer Services Manager	Webpointclassifieds Pty Ltd
W George	Chief Technical officer	Webpointclassifieds Pty Ltd
D Hardy	General Manager Dealer Services \ Datamotive & Research	carsales.com.au Ltd
M Sinclair (appointed 01/07/06)	Editor in Chief	carsales.com.au Ltd
K Carollo (appointed 05/02/07)	National Sales Director	carsales.com.au
G Hoover (resigned 16/02/07)	Chief Financial Officer, Company Secretary	carsales.com.au Ltd
S Pettiona (appointed 14/5/07)	Marketing Director and General Manager DVA	carsales.com.au Ltd

(c) Key management personnel compensation

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	**1,819,397**	1,052,142	**1,258,562**	892,258
Post-employment benefits	**131,650**	106,460	**82,526**	71,158
Share-based payments	**466,830**	73,625	**346,830**	59,750
	2,417,877	1,232,227	**1,687,918**	1,023,166

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

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

23 Key management personnel disclosures (continued)

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

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

(iii) Directors' fees
The current base remuneration was last reviewed with effect from February 2006.

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 directors currently stands at $102,000 per annum along with 400,000 share options. The Directors determine how the these are to be shared by Directors.

(iv) Retirement allowances for directors
No retirement allowances are payable to non-executive directors, other than amounts contributed to defined contribution superannuation accounts.

(v) Executive pay
The executive pay and reward framework has four components:

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

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

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

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

(vii) Benefits
Executives may structure their remuneration to include benefits such as car allowances.

(viii) Short-term incentives
Key executives have a target short term incentive (STI) opportunity depending on the accountabilities of the role and impact on organisation or business unit performance.

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

For the year ended 30 June 2007, the KPIs linked to short term incentive plans were based on Group, individual business and personal objectives. The KPIs required performance in achieving sales targets, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The remuneration committee has responsibility for assessing whether the KPIs are met and whether or not STIs will be paid.

The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee and CEO.

The STI target annual payment is reviewed annually.

(ix) carsales.com.au Ltd Option Plan
Information on the carsales.com.au Ltd Option Plan is set out in note 32.

23 Key management personnel disclosures (continued)

(d) Details of remuneration

Details of the remuneration of each director of carsales.com.au Ltd and each of the Key management personnel of the Group, including their personally related entities, are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "Short term incentives" above, all other elements of remuneration are not directly related to performance.

(i) Directors of carsales.com.au Ltd

2007	Short term empoyment benefits			Post-employment	Share Based	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Options $	Total $
Wal Pisciotta	16,514	-	-	1,486	22,610	40,610
James Packer	-	-	-	-	-	-
John Alexander	-	-	-	-	-	-
Ian Law (Appointed 19/02/07)	-	-	-	-	-	-
Ric Collins	9,174	-	-	826	22,610	32,610
Pat O'Sullivan(Appointed 29/06/07)	-	-	-	-	-	-
Greg Haythorpe (Resigned 29/06/07)	-	-	-	-	22,610	22,610
Greg Roebuck	329,345	54,128	-	37,863	189,000	610,336
Total	355,033	54,128	-	40,175	256,830	706,166

2006	Short term empoyment benefits			Post-employment	Share Based	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Options $	Total $
Wal Pisciotta	22,706	-	-	2,044	7,500	32,250
Geoff Brady (Resigned Resigned 28/10/05)	5,505	-	-	495	1,125	7,125
Ric Collins	20,183	-	-	1,817	7,500	29,500
Brian Curmi (Resigned Deceased 2/9/05)	3,670	-	-	330	-	4,000
Greg Roebuck	271,867	100,000	-	27,595	20,000	419,462
James Packer (Appointed Appointed 28/10/05)	-	-	-	-	-	-
Greg Haythorpe (Appointed Appointed 28/10/05)	-	-	-	-	5,000	5,000
Grant Taylor (Resigned 28/10/05)	27,829	-	-	2,898	2,250	32,977
Total	351,760	100,000	-	35,179	43,375	530,314

23 Key management personnel disclosures (continued)

(ii) Key Management Personnel of the Group

2007	Short term empoyment benefits			Post-employment	Share Based	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Superannuation $	Options $	Total $
D Hardy	137,000	26,950	16,372	14,755	30,000	225,077
M Sinclair	150,291	-	-	12,686	30,000	192,977
W George	126,250	19,266	4,190	13,096	30,000	192,802
D Campsell	122,917	18,006	-	12,683	30,000	183,606
G Taylor	275,159	-	-	-	30,000	305,159
N Dearing	104,227	15,688	-	10,659	30,000	160,574
K Carollo (appointed 05/02/07)	89,832	-	-	6,343	30,000	126,175
S Pettiona (appointed 14/05/07)	22,024	-	-	1,982	-	24,006
A Beecher (resigned 02/03/07)	85,769	18,578	5,127	8,957	-	118,431
G Hoover (resigned 16/02/07)	129,496	27,995	15,099	10,314	-	182,904
Total	1,242,965	126,483	40,788	91,475	210,000	1,711,711

2006	Short term empoyment benefits			Post-employment	Share Based	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Superannuation $	Options $	Total $
A Beecher	104,170	7,683	-	10,330	3,750	125,933
D Campsell	58,952	-	3,285	6,343	3,750	72,330
W George	62,517	-	7,477	6,909	3,750	80,653
D Hardy	118,333	9,174	18,551	11,476	6,250	163,784
G Hoover	128,433	25,748	14,530	14,174	4,500	187,385
Total	472,405	42,605	43,843	49,232	22,000	630,085

(iii) Service agreements

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

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

(iv) Share-based compensation - options

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

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

23 Key management personnel disclosures (continued)

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
August 2004	August 2009	$0.35	$0.05	August 2006
June 2006	November 2010	$0.70	$0.05	November 2007
October 2006	November 2010	$0.70	$0.29	December 2006
October 2006	October 2010	$1.05	$0.17	December 2006
December 2006	December 2011	$1.05	$0.29	December 2006
February 2007	November 2011	$1.05	$0.40	November 2008

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

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

Options issued to executives expire if their employment is terminated.

(e) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration
Details of options over ordinary shares in the company provided as remuneration to each director of carsales.com.au Ltd and each of the five specified executives of the Group are set out below. When exercisable, each option is convertible into one ordinary share of carsales.com.au Ltd. Further information on the options is set out in note 32.

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	**2007**	2006
Directors of carsales.com.au Ltd				
W Pisciotta	**133,000**	150,000	**383,000**	-
G Brady (resigned 28/10/05)	-	22,500	-	-
R Collins	**133,000**	150,000	**383,000**	-
G Haythorpe (appointed 28/10/05)	**133,000**	100,000	**233,000**	-
G Roebuck	**500,000**	400,000	**1,000,000**	-
Other key management personnel of the Group				
D Hardy	**75,000**	125,000	**225,000**	-
D Campsell	**75,000**	75,000	**75,000**	-
N Dearing	**75,000**	75,000	**75,000**	-
W George	**75,000**	75,000	**75,000**	-
G Taylor	**75,000**	45,000	**145,000**	-
M Sinclair (commenced 01/07/06)	**75,000**	-	-	-
K Carollo (appointed 05/02/07)	**75,000**	-	-	-
A Beecher (resigned 02/03/07)	-	75,000	**175,000**	-
G Hoover (resigned 16/2/2007)	-	90,000	**190,000**	-

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

23 Key management personnel disclosures (continued)

2007 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of carsales.com.au Ltd						
W Pisciotta	250,000	133,000	(250,000)	-	133,000	133,000
R Collins	250,000	133,000	(100,000)	-	283,000	283,000
G Haythorpe (resigned 29/06/07)	100,000	133,000	-	-	233,000	233,000
G Roebuck	1,800,000	500,000	(900,000)	-	1,400,000	1,000,000
Other key management personnel of the Group						
D Hardy	225,000	75,000	(100,000)	-	200,000	125,000
D Campsell	75,000	75,000	-	-	150,000	75,000
N Dearing	75,000	75,000	-	-	150,000	75,000
W George	75,000	75,000	-	-	150,000	75,000
G Taylor	145,000	75,000	(145,000)	-	75,000	-
M Sinclair (commenced 01/07/2006)	50,000	75,000	-	-	125,000	50,000
K Carolla	-	75,000	-	-	75,000	-
A Beecher (resigned 2/3/2007)	175,000	-	(175,000)	-	-	-
G Hoover (resigned 16/02/2007)	190,000	-	(190,000)	-	-	-

2006 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of carsales.com.au Ltd						
W Pisciotte	100,000	150,000	-	-	250,000	-
G Brady	100,000	22,500	-	-	122,500	-
B Curmi (deceased 2/9/05) *	200,000	-	(200,000)	-	-	-
R Collins	200,000	150,000	(100,000)	-	250,000	-
G Haythorpe (appointed 28/1/05)	-	100,000	-	-	100,000	-
G Taylor (resigned 28/10/05)	100,000	45,000	-	-	145,000	-
G Roebuck	1,400,000	400,000	-	-	1,800,000	900,000
Other key management personnel of the Group						
A Beecher	100,000	75,000	-	-	175,000	-
D Campsell	-	75,000	-	-	75,000	-
N Dearing	-	75,000	-	-	75,000	-
W George	-	75,000	-	-	75,000	-
D Hardy	100,000	125,000	-	-	225,000	-
G Hoover	100,000	90,000	-	-	190,000	-

(iii) Share holdings
The numbers of shares in the company held during the financial year by each director of carsales.com.au 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.

23 Key management personnel disclosures (continued)

2007 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of carsales.com.au Ltd				
Ordinary shares				
W Pisciotta	32,031,280	250,000	4,677,857	36,959,137
J Packer	-	-	-	-
J Alexander	-	-	-	-
I Law (appointed 19/2/2007)	-	-	-	-
R Collins	2,600,500	100,000	174,500	2,875,000
P O'Sullivan (appointed 29/6/2007)	-	-	-	-
G Haythorpe (resigned 29/06/2007)	-	-	-	-
G Roebuck	8,614,055	900,000	-	9,514,055
Other key management personnel of the Group				
Ordinary shares				
D Hardy	100,000	100,000	-	200,000
D Campsell	-	-	-	-
N Dearing	-	-	-	-
W George	-	-	-	-
G Taylor	7,431,555	145,000	865,000	8,441,555
M Sinclair	-	-	-	-
K Carollo	-	-	-	-
S Pettiona	-	-	1,485,714	1,485,714
A Beecher	-	175,000	(175,000)	-
G Hoover	2,575,000	190,000	(1,000,000)	1,765,000

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of carsales.com.au Ltd				
Ordinary shares				
W Pisciotta	32,031,280	-	-	32,031,280
J Packer (appointed 28/10/05)	-	-	-	-
J Alexander (appointed 28/10/05)	-	-	-	-
G Brady (resigned 28/10/05)	6,350,000	-	-	6,350,000
R Collins	2,500,500	100,000	-	2,600,500
B Curmi (deceased 2/9/05)	1,250,500	200,000	-	1,450,500
G Haythorpe (appointed 28/10/05)	-	-	-	-
G Roebuck	8,614,055	-	-	8,614,055
G Taylor (resigned 28/10/05)	7,431,555	-	-	7,431,555
Other key management personnel of the Group				
Ordinary shares				
A Beecher	-	-	-	-
D Campsell	-	-	-	-
N Dearing	-	-	-	-
W George	-	-	-	-
D Hardy	100,000	-	-	100,000
G Hoover	2,575,000	-	-	2,575,000

(f) Loans to key management personnel

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

23 Key management personnel disclosures (continued)

(g) Other transactions with key management personnel

(i) Directors of carsales.com.au Ltd

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

The following directors: G Brady, R Collins and deceased director B Curmi, were associated with automotive dealerships which utilised the Group's services under terms and conditions no more favourable than dealing with other customers at arm's length in the same circumstances.

The following Directors: J Packer, J Alexander and G Haythorpe have an ownership interest in and/or hold positions of influence in ACP Magazines Ltd, which entered into a series of contracts with the Group in October 2005. The contracts require that ACP Magazines Ltd provide a range of services (including advertising sales, administrative services and provision of property, plant and equipment) to the Group in return for fixed fees and commissions. The contracts also require that the Group provide certain services to ACP Magazines Ltd in return for fixed fees.

The following Directors: J Packer, J Alexander and G Haythorpe have an ownership interest in and/or hold positions of influence in Publishing and Broadcasting Ltd, which has a 50% ownership interest in ninemsn Pty Ltd (9msn). 9msn provides services to the Group including online distribution and marketing, internet hosting and advertising sales in return for commissions and fees.

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

	2007 $	2006 $
Amounts recognised as revenue		
Charges for supply of services	2,439,553	1,356,354
	2,439,553	1,356,354
Amounts recognised as expense		
Charges for supply of services	5,636,210	3,560,190
	5,636,210	3,560,190

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

	2007 $	2006 $
Current receivables	220,975	101,479

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

23 Key management personnel disclosures (continued)

	2007 $	2006 $
Current liabilities	322,332	595,326

24 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:

	Consolidated		Parent	
	2007 $	2006 $	2007 $	2006 $
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	134,230	79,200	134,230	79,200
Total remuneration for audit services	134,230	79,200	134,230	79,200
Other assurance services				
PricewaterhouseCoopers Australian firm				
Due diligence services	30,000	61,000	30,000	61,000
Audit of regulatory returns	-	-	-	-
Total remuneration for other assurance services	30,000	61,000	30,000	61,000
Total remuneration for assurance services	164,230	140,200	164,230	140,200
(b) Taxation services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	44,108	24,108	44,108	24,108
Tax consulting and tax advice on mergers and acquisitions	60,000	57,300	60,000	57,300
Total remuneration for taxation services	104,108	81,408	104,108	81,408
	268,338	221,608	268,338	221,608

25 Commitments

(i) Operating leases
The Group leases offices under non-cancellable operating leases expiring within 4 years. On renewal, the terms of the leases are renegotiated.

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

25 Commitments (continued)

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	384,994	515,526	204,994	515,526
Later than one year but not later than five years	144,114	1,045,153	144,114	1,045,153
	529,108	1,560,679	349,108	1,560,679
Commitments not recognised in the financial statements	529,108	1,560,679	349,108	1,560,679

(ii) Hire Purchase Agreements
The Group leases various plant and equipment with a cost value of $117,608 (2006 - $324,760) under hire purchase agreements expiring within 1 to 2 years. The Group will acquire full title to the assets on expiry of the hire purchase agreements.

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Commitments in relation to finance leases are payable as follows:				
Within one year	49,872	147,359	42,362	147,359
Later than one year but not later than five years	19,695	43,345	-	43,345
Minimum lease payments	69,567	190,704	42,362	190,704
Future finance charges	(3,931)	(10,531)	(983)	(10,531)
Recognised as a liability	65,636	180,173	41,379	180,173
Total lease liabilities	65,636	180,173	41,379	180,173
Representing lease liabilities:				
Current (note 16)	47,220	142,025	41,379	142,025
Non-current (note 18)	18,416	38,148	-	38,148
	65,636	180,173	41,379	180,173

The weighted average interest rate implicit in the hire purchase agreements is 6% (2006 - 6%).

26 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 28.

(b) Directors and Key Management Personnel

Disclosures relating to related parties are set out in note 23.

27 Business combination

Current period

(a) Summary of acquisition

On 10 May 2007 the company acquired all the issued share capital in Discount Vehicles Australia Pty Ltd which is principally involved in automotive online classifieds. The purchase agreement provided that the Group receive the financial benefit of the acquired entities from 10 May 2007.

The acquired business contributed revenues of $583,018 and net profit of $287,367 to the Group for the period from 10 May 2007 to 30 June 2007. The value of consolidated revenues and profits as if they had occurred from 1 July 2006 amounted to revenue of $2,750,565 and net profit of $1,140,214.

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

	$
Purchase Consideration	
Cash paid	19,000,001
Fair value of shares issued (refer (c) below)	3,000,000
Direct costs relating to the acquisition	97,809
Total purchase consideration	22,097,810
Fair value of net identifiable assets acquired (refer to (c) below)	1,053,057
Goodwill (refer to (c) below and note 14)	21,044,753

(b) Purchase consideration

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	19,097,810	865,031	19,097,810	865,031
Less: Balances acquired				
Balance acquired	1,029,332	1,962,015	-	-
Bank facility	-	-	-	-
Outflow of cash	18,068,478	(1,096,984)	19,097,810	865,031

The goodwill is attributable to the high profitability of the acquired business and synergies expected to arise after the company's acquisition of the new subsidiary. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

(c) Assets and liabilities acquired

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

27 Business combination (continued)

	Acquiree's carrying amount $	Fair value $
Cash	1,029,332	1,029,332
Trade receivables	404,180	404,180
Plant and equipment	108,881	108,881
Intangible assets	16,802	16,802
Provision for employee benefits	(51,832)	(51,832)
Trade payables	(448,499)	(448,499)
Interest bearing liabilities	(21,356)	(21,356)
Deferred tax asset	15,549	15,549
Net assets	1,053,057	1,053,057

As a result of this transaction, carsales.com.au Ltd issued 1,714,285 shares. As the Company is an unlisted public company, a published price is not available to value the shares issued. The fair value of the shares issued was estimated to be $3,000,000 based upon the value in use in calculations of the net assets acquired.

As permitted by Australian Accounting Standards, the initial accounting for business combination has been determined only provisionally during the period because the directors are yet to complete their consideration of the fair value of the components of identifiable intangible assets. Should any component of the intangible asset(s) identified not represent goodwill, amortisation will commence from the date of acquisition.

Prior period

(a) Summary of acquisition

On 28 October 2005, the company acquired all the issued share capital in Wepointclassifieds Pty Ltd (formerly ACP Points Pty Ltd) and Equipment Research Group Pty Ltd (ERG). Webpointclassifieds is principally involved in automotive classifieds and ERG is principally involved in online automotive research. The purchase agreement provided that the Group received the financial benefit of the acquired entities from 1 November 2005.

The acquired business contributed revenues of $9,474,009 and net profit of $2,075,002 to the Group for the period from 28 October 2005 to 30 June 2006. The Directors consider it impractical to disclose the value of consolidated revenues and profits as if they had occurred on 1 July 2005 because the business's acquired were previously trading as divisions of ACP Magazines Ltd and not as standalone businesses.

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

	$
Purchase consideration (refer to (b) below):	
Fair value of shares issued (refer (c) below)	45,250,000
Direct costs relating to the acquisition	865,031
Total purchase consideration	46,115,031
Fair value of net identifiable assets acquired (refer to (c) below)	1,963,441
Goodwill (refer to (c) below and note 14)	44,151,590

27 Business combination (continued)

(b) Purchase consideration

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration for direct costs	-	865,031	-	865,031
Less: Balances acquired				
Cash	-	1,962,015	-	-
Outflow of cash	-	(1,096,984)	-	865,031

The goodwill is attributable to the high profitability of the acquired business and synergies expected to arise after the company's acquisition of the new subsidiary. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

(c) Assets and liabilities acquired

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

	Acquiree's carrying amount $	Fair value $
Cash & cash equivalents	1,962,015	1,962,015
Trade receivables	315,066	147,973
Plant and equipment	118,825	118,825
Intangible assets	3,603,345	-
Deferred income	(214,155)	(206,948)
Provision for employee benefits	(107,835)	(107,835)
Net deferred tax assets	-	49,411
Net identifiable assets acquired	5,677,261	1,963,441

As a result of this transaction, carsales.com.au Ltd issued 91,314,181 shares. As the company is an unlisted public company, a published price is not available to value the shares listed. The fair value of the shares issued are estimated to be $40,250,000 based upon value in use calculations of the net assets acquired.

28 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2007 %	Equity holding 2006 %
Webpointclassifieds Pty Ltd	Australia	Ordinary	100	100
Equipment Resarch Group Pty Ltd	Australia	Ordinary	100	100
Discount Vehicles Australia Pty Ltd	Australia	Ordinary	100	-

29 Events occurring after the balance sheet date

(a) Acquisition of Automotive Data Services Pty Limited

After 30 June 2007 carsales.com.au Limited acquired 100% of the issued share capital of Automotive Data Services Pty Ltd. Due to the fact that the purchase, and the carry value of net assets, are still being finalised, no reliable estimates of these values has been determined.

The financial effects of the above transaction have not been brought to account at 30 June 2007. The operating results and assets and liabilities of the company will be consolidated from 01 September 2007.

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Profit for the year	**11,801,403**	5,911,999	**12,167,931**	3,825,798
Depreciation and amortisation	**493,816**	425,044	**419,577**	391,211
Non-cash employee benefits expense - share-based payments	**261,007**	72,875	**261,007**	72,875
Change in operating assets and liabilities				
(Increase) in trade debtors	**(1,854,470)**	(2,837,878)	**(1,847,674)**	(582,017)
(Increase) in deferred tax asset	**(152,545)**	563,428	**(44,180)**	637,530
(Increase) in other operating assets	**(109,212)**	(48,236)	**(61,299)**	(41,950)
(Decrease) in trade creditors	**(443,000)**	829,444	**(7,615)**	211,225
(Decrease) in other operating liabilities	**(394,361)**	1,743,641	**(875,505)**	690,783
Increase in provision for income taxes payable	**3,316,279**	1,812,582	**2,436,483**	968,221
Increase in other provisions	**270,393**	366,438	**148,518**	383,484
Net cash (outflow) inflow from operating activities	**13,189,310**	8,839,337	**12,597,243**	6,557,160

31 Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.2**	3.1
Profit attributable to the ordinary equity holders of the company	**5.2**	3.1
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**5.2**	3.0
Profit attributable to the ordinary equity holders of the company	**5.2**	3.0

31 Earnings per share (continued)

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

	Consolidated	
	2007	2006
	$	$
Basic earnings per share		
Profit from continuing operations	**11,801,403**	5,911,999
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**11,801,403**	5,911,999

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

	Consolidated	
	2007	2006
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**224,866,920**	192,424,871
Adjustments for calculation of diluted earnings per share:		
Vested Options	**3,124,000**	2,200,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**227,990,920**	194,624,871

(e) Information concerning the classification of securities

(i) Options

Vested options granted to employees under the carsales.com.au Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 32.

Unvested options as at June 2007 are not included in the calculation of diluted earnings per share because they are not able to be excercised until the vesting period has been reached. These options could potentially dilute basic earnings per share in the future.

32 Share-based payments

(a) Employee Option Plan

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

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

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

When exercisable, each option is convertible into one ordinary share in return for payment of the option price.

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

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

32 Share-based payments (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent - 2007								
Jul 2000	Jul 2010	$0.20	1,120,000	-	(470,000)	(65,000)	585,000	585,000
Dec 2000	Dec 2010	$0.20	50,000	-	(50,000)	-	-	-
Aug 2001	Aug 2011	$0.20	100,000	-	(100,000)	-	-	-
Dec 2002	Dec 2008	$0.25	400,000	-	(400,000)	-	-	-
Dec 2002	Dec 2009	$0.25	500,000	-	(500,000)	-	-	-
Oct 2003	Jul 2007	$0.25	50,000	-	(50,000)	-	-	-
Aug 2004	Aug 2009	$0.35	1,100,000	-	(600,000)	-	500,000	500,000
Dec 2004	Dec 2009	$0.35	175,000	-	(100,000)	-	75,000	75,000
Jun 2006	Nov 2010	$0.70	1,657,500	-	(445,000)	(20,000)	1,192,500	1,192,500
Oct 2006	Oct-2010	$1.05	-	272,500	-	-	272,500	272,500
Oct 2006	Nov-2010	$0.70	-	399,000	-	-	399,000	399,000
Dec 2006	Dec-2011	$0.70	-	100,000	-	-	100,000	100,000
Feb 2007	Nov-2011	$1.05	-	925,000	-	-	925,000	-
Dec 2006		$0.70	-	-	-	-	-	-
Total			5,152,500	1,696,500	(2,715,000)	(85,000)	4,049,000	3,124,000
Weighted average exercise price			$0.41	$0.95	$0.34	$0.32	$0.68	$0.57

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent - 2006								
Jul 2000	Jul 2010	$0.20	1,400,000	-	(280,000)	-	1,120,000	1,120,000
Dec 2000	Dec 2010	$0.20	50,000	-	-	-	50,000	50,000
Aug 2001	Aug 2011	$0.20	100,000	-	-	-	100,000	100,000
Dec 2002	Dec 2008	$0.25	400,000	-	-	-	400,000	400,000
Dec 2002	Dec 2009	$0.25	500,000	-	-	-	500,000	500,000
Jan 2003	Dec 2006	$0.20	50,000	-	(50,000)	-	-	-
Aug 2003	Aug 2014	$0.25	200,000	-	(200,000)	-	-	-
Oct 2003	Jul 2007	$0.25	50,000	-	-	-	50,000	50,000
Aug 2004	Aug 2009	$0.35	1,200,000	-	(100,000)	-	1,100,000	-
Dec 2004	Dec 2009	$0.35	275,000	-	-	(100,000)	175,000	-
Jun 2006	Nov 2010	$0.70	-	1,657,500	-	-	1,657,500	-
Total			4,225,000	1,657,500	(630,000)	(100,000)	5,152,500	2,220,000
Weighted average exercise price			$0.27	$0.70	$0.24	$0.35	$0.41	$0.22

The Director's estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2007 is estimated to be approx $0.99 (2006: approx $0.36). The Directors note that carsales.com.au Ltd is an unlisted entity with equities that are rarely traded in any meaningful volume. The share price disclosed here is an estimate based on available information.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.9 years (2006 - 3.7 years).

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2007 ranged between $0.17 and $0.40 per option (2006 - 5 cents). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

32 Share-based payments (continued)

The model inputs for options granted during the year ended 30 June 2007 included:

(a) options are granted for no consideration and vested in December 2006 and vest in November 2008 (2006: November 2007)

(b) exercise price: $0.70 and $1.05 (2006 - $0.70)

(c) grant date: October 2006, December 2006, February 2007 (2006 - June 2006)

(d) expiry date: October 2010, November 2010, November 2011 & December 2011 (2006 - November 2010)

(e) share price at grant date: $0.80 & $1.15 (2006 - $0.40)

(f) expected price volatility of the company's shares: 35% (2006 - 30%)

(g) expected dividend yield: 1% (2006 - 10%)

(h) risk-free interest rate: 5.96% (2006 - 5.5%).

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 52 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and its cash flows, for the financial year ended on that date; and

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

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

Melbourne
17 September 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999
www.pwc.com/au

Independent auditor's report

to the members of carsales.com.au Ltd

Report on the financial report

We have audited the accompanying financial report of carsales.com.au Ltd (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both carsales.com.au Ltd and the carsales.com.au Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers

PRICEWATERHOUSECOOPERS

Independent auditor's report

to the members of carsales.com.au Ltd (continued)

internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

Independence

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

The independence declaration, dated 17 September 2007, included in the directors' report would be the same if it had been made on the date of this audit report.

Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

W. Tarrant

W L Tarrant
Partner

Melbourne
18 September 2007