



carsales.com.au Ltd **2007 Annual Report**

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 Pisciotto

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".

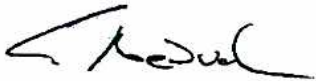
August 07 also saw us hit another key milestone in our 10 year anniversary. Whilst a public company only since March of 2000, the company commenced operations as a private business way back in August of 1997. Many of the other 'overnight success stories' such as Seek Ltd. and ninemsn also commenced operations 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

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

		Consolidated		Parent	
		2007	2006	2007	2006
	Notes	\$	\$	\$	\$
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
		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		
		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.

carsales.com.au Ltd
Balance sheets
As at 30 June 2007

		Consolidated		Parent	
	Notes	2007	2006	2007	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	<u>6,578,628</u>	<u>4,614,946</u>	<u>4,210,860</u>	<u>2,301,887</u>
Total current assets		<u>12,269,790</u>	<u>14,418,441</u>	<u>7,227,673</u>	<u>7,906,950</u>
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	<u>65,785,243</u>	<u>44,239,971</u>	<u>570,821</u>	<u>88,381</u>
Total non-current assets		<u>67,090,688</u>	<u>45,185,591</u>	<u>69,662,379</u>	<u>46,894,767</u>
Total assets		<u>79,360,478</u>	<u>59,604,032</u>	<u>76,890,052</u>	<u>54,801,717</u>
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	<u>680,712</u>	<u>469,775</u>	<u>502,874</u>	<u>390,755</u>
Total current liabilities		<u>15,317,084</u>	<u>6,297,340</u>	<u>14,729,460</u>	<u>3,702,882</u>
Non-current liabilities					
Provisions	19	403,964	344,508	259,251	222,852
Interest bearing liabilities	18	<u>18,416</u>	<u>38,148</u>	-	<u>38,148</u>
Total non-current liabilities		<u>422,380</u>	<u>382,656</u>	<u>259,251</u>	<u>261,000</u>
Total liabilities		<u>15,739,464</u>	<u>6,679,996</u>	<u>14,988,711</u>	<u>3,963,882</u>
Net assets		<u>63,621,014</u>	<u>52,924,036</u>	<u>61,901,341</u>	<u>50,837,835</u>
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)	<u>2,727,313</u>	<u>(3,790,658)</u>	<u>1,007,640</u>	<u>(5,876,859)</u>
Total equity		<u>63,621,014</u>	<u>52,924,036</u>	<u>61,901,341</u>	<u>50,837,835</u>

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

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

		Consolidated		Parent	
	Notes	2007	2006	2007	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)		<u>(34,400,633)</u>	<u>(19,899,462)</u>	<u>(21,105,406)</u>	<u>(14,121,346)</u>
		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		<u>(2,241,311)</u>	<u>(162,536)</u>	<u>(1,070,478)</u>	<u>-</u>
Net cash (outflow) inflow from operating activities	30	<u>13,189,310</u>	<u>8,839,337</u>	<u>12,597,243</u>	<u>6,557,160</u>
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		<u>-</u>	<u>-</u>	<u>3,107,101</u>	<u>-</u>
Net cash (outflow) inflow from investing activities		<u>(19,199,996)</u>	<u>746,898</u>	<u>(17,088,551)</u>	<u>(1,169,356)</u>
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	<u>(5,283,432)</u>	<u>(3,097,873)</u>	<u>(5,283,432)</u>	<u>(3,097,873)</u>
Net cash inflow (outflow) from financing activities		<u>1,898,353</u>	<u>(3,018,231)</u>	<u>1,903,058</u>	<u>(3,018,232)</u>
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		<u>9,803,495</u>	<u>3,235,491</u>	<u>5,605,063</u>	<u>3,235,491</u>
Cash and cash equivalents at end of year	8	<u>5,691,162</u>	<u>9,803,495</u>	<u>3,016,813</u>	<u>5,605,063</u>
Financing arrangements	18				
Non-cash financing and investing activities					

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