

carsales.com Ltd
2008 Annual Report

carsales  **com Ltd**
ABN 91-074-444-018

carsales.com.au
Australia's No.1 Auto Website

Dear Shareholders

The Board is pleased to present the company's full year audited results for the financial year ending 30 June 2008.

Once again the company has performed very strongly in a challenging macroeconomic environment to deliver outstanding value to our customers and shareholders. The key financial highlights of the year are as follows:

Sales revenue up 56% year on year to \$71.9M
Profit (EBITDA) up 65% year on year to \$28.3M
Net Profit (after tax) up 58% to \$18.7M

Over the past twelve months the company has worked tirelessly on many different levels and the financial performance is just one of the pleasing developments within the organisation. We've also continued to be recognised as a fast growth business winning the Deloitte Fast 50 Technology Company award for a 4th consecutive year.

Several new websites were launched during the year to strengthen our classified offerings and broaden our market offerings. These included DiscountNewBikes.com.au, BoatSales.com.au and the Autopinions.com.au site. The business also continued to evolve its existing product offerings with a significantly enhanced search environment to support the simple and easy searching of our ever growing inventory, as well as a new version of our award winning Autogate product into the Marine marketplace.

At a business development level, we have signed a number of additional distribution deals that will increase the exposure of our customers advertising to potential automotive buyers. In August last year we acquired Automotive Data Services Pty Ltd trading as The Redbook and we continued to integrate Discount Vehicles Australia Pty Ltd into the group.

Large components of infrastructure were enhanced over the past twelve months to enable the ongoing rapid scaling of the business including amongst other things the infrastructure environment that supports our automotive websites, our internal financial systems, our communication system and our office environments in a number of states.

As I mentioned in my letter on the 6 March 2008, the Board over the past twelve months has focused on strengthening the company's corporate governance capability with the formalisation of the Board Audit Committee, establishment of Board Audit Committee and Remuneration Committee Charters, increasing the number of Board meetings held to 11 times a year, updating the company constitution to cater for relevant changes in the Corporations Act and replacing the company's share registry service provider.

Over the past several months the economic environment has been challenging for consumers with record oil prices flowing through to the fuel pump, combined with rising interest rates and a major stock market retreat would by many be almost considered as a perfect storm. From a carsales perspective I am pleased to report that the business is holding up very well in these tough times and our unique business model is a solid enabler for this to continue as our inventory, enquiries and unique browser levels continue to break records on a regular basis.

As you would have seen in some of Greg Roebuck's recent media statements, the company has done most of the work required now to list the company on the ASX at the appropriate moment. However, until a less volatile environment emerges the Board believes that it is not in the best interests of all shareholders to take the final steps in completing the listing process incorporating the previously announced 'Capital Return'. In the meantime we will continue to monitor market conditions and will as always keep you updated as this situation evolves.

Once again, on behalf of the Board of Directors, I would like to thank all the highly dedicated and hard working people that make this business the great company that it is, our valued customers for their ongoing endorsement and our shareholders for their continued support and encouragement.



Sincerely
Wal Pisciotta
Chairman Hawthorn 27 August 2008

Dear Shareholders

It's the end of another fantastic year at carsales.com Ltd. As always, a lot has changed: we've grown staff numbers to around 250; we've moved our Head Office to a fantastic new facility in Hawthorn; implemented a new software application for operating our accounts and broken numerous records as we've grown the business.

With the acquisition of Automotive Data Services (Redbook) we are now very much an International business. We have grown staff numbers in our Malaysian office to focus on enhancing the data for our numerous verticals: Marine; Automotive; Motorcycle and Industry. This powerful database will ensure we are always providing world leading content to our consumers – ensuring our various sites are their primary destination for all things “classified”!

Our shift to Hawthorn has allowed us to bring our staff from DVA and Redbook into the carsales office and it's a big step up from a crowded, two storey environment in Oakleigh, to where we are today – and from all reports, the staff are loving the new environment.

With the business growing in so many areas, it was time to replace our accounting system with something more designed for where we are today and we expect to be in years to come. With around a year's work to implement, it's been a long road but the benefits will now start to be realised. Thanks to our CFO – Cameron McIntyre and his team.

Our sales revenue growth of 56% has been predominantly achieved through strong results in many areas of the business. Our Corporate Advertising – where we publish display ads for car companies and others – has again outgrown the marketplace. The shift from print to online which has all but completed for Private Advertisers and is well on the way for Dealers, is now gathering momentum from the Car Companies. With more than 1 in 5 of all online Australians visiting a carsales.com website each month; looking at over 180,000 cars; viewing nearly 200 million pages – people buying or selling cars; bikes; boats; trucks; construction equipment; farm equipment etc. would be mad to go anywhere else!

Margin on sales is improving – up year on year, but we continue to invest in future opportunities. Our capital expenditure on our future infrastructure needs positions us well for our expected growth and we now have significant computing capacity in multiple locations.

The Datamotive business continues to deliver class leading services to Australia's leading car companies and dealerships. We have rolled out Autogate for Marine and new releases into our other vertical markets will occur over the coming year. We've launched a number of new sites including www.boatsales.com.au; www.discountnewbikes.com.au; www.autopinions.com.au; a completely redesigned www.redbook.com.au and an all new vehicle search engine at <http://www.carsales.com.au/all-cars/search.aspx> to name a few. Please take the time to check them out.

We've further strengthened our management team with key appointments into our general classifieds; marine classifieds and put together a strategy team that are steering us in the right direction!

However, none of this could have been achieved without the passion and the commitment that the entire staff at carsales.com bring to the table EVERY day. They are a fantastic group of people that are delivering great results to you and most importantly – our customers.

Yours sincerely,



Greg Roebuck
Managing Director and CEO, Hawthorn, 27 August 2008

carsales.com Ltd
Income statements
For the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008 \$	2007 \$	2008 \$	2007 \$
Revenue from continuing operations	5	72,480,286	46,792,457	57,885,070	34,384,715
Other income		-	3,636	-	3,636
Other expenses	6	(884,861)	(493,816)	(663,672)	(419,577)
Sales and marketing expenses		(25,905,696)	(14,608,967)	(19,036,839)	(9,095,185)
Service development and maintenance		(5,147,453)	(3,260,291)	(4,937,560)	(1,981,153)
Operations and administration		(12,513,062)	(11,262,944)	(9,815,152)	(7,254,736)
Finance costs	6	(1,301,076)	(7,164)	(1,299,407)	(6,989)
Profit before income tax		26,728,138	17,162,911	22,132,440	15,630,711
Income tax expense	7	(7,997,304)	(5,361,508)	(4,446,001)	(3,462,780)
Profit from continuing operations		18,730,834	11,801,403	17,686,439	12,167,931
Profit attributable to members of carsales.com Ltd		18,730,834	11,801,403	17,686,439	12,167,931
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	30	8.2	5.2		
Diluted earnings per share	30	8.2	5.2		
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	30	8.2	5.2		
Diluted earnings per share	30	8.2	5.2		

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

carsales.com Ltd
Balance sheets
As at 30 June 2008

		Consolidated		Parent	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	8	7,794,492	5,691,162	3,758,280	3,016,813
Receivables	9	11,736,543	7,852,212	7,797,859	4,952,426
Total current assets		<u>19,531,035</u>	<u>13,543,374</u>	<u>11,556,139</u>	<u>7,969,239</u>
Non-current assets					
Other financial assets	10	-	-	80,404,833	68,212,840
Property, plant and equipment	11	3,744,229	753,177	3,342,213	558,328
Deferred tax assets	12	912,361	552,268	760,452	320,390
Intangible assets	13	78,238,428	65,785,243	680,204	570,821
Total non-current assets		<u>82,895,018</u>	<u>67,090,688</u>	<u>85,187,702</u>	<u>69,662,379</u>
Total assets		<u>102,426,053</u>	<u>80,634,062</u>	<u>96,743,841</u>	<u>77,631,618</u>
LIABILITIES					
Current liabilities					
Payables	14	8,508,121	3,055,363	8,615,842	4,375,575
Interest bearing liabilities	15	18,449,565	6,452,148	18,429,301	6,446,307
Current tax liabilities		3,617,331	5,128,861	1,978,099	3,404,704
Provisions	16	968,790	680,712	874,999	502,874
Other current liabilities	17	2,354,149	1,273,584	1,201,063	741,566
Total current liabilities		<u>33,897,956</u>	<u>16,590,668</u>	<u>31,099,304</u>	<u>15,471,026</u>
Non-current liabilities					
Interest bearing liabilities	18	-	18,416	-	-
Provisions	19	774,519	403,964	665,911	259,251
Total non-current liabilities		<u>774,519</u>	<u>422,380</u>	<u>665,911</u>	<u>259,251</u>
Total liabilities		<u>34,672,475</u>	<u>17,013,048</u>	<u>31,765,215</u>	<u>15,730,277</u>
Net assets		<u>67,753,578</u>	<u>63,621,014</u>	<u>64,978,626</u>	<u>61,901,341</u>
EQUITY					
Contributed equity	20	61,774,686	60,590,676	61,774,686	60,590,676
Reserves	21(a)	1,281,732	303,025	1,270,848	303,025
Retained profits (accumulated losses)	21(b)	4,697,160	2,727,313	1,933,092	1,007,640
Total equity		<u>67,753,578</u>	<u>63,621,014</u>	<u>64,978,626</u>	<u>61,901,341</u>

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

carsales.com Ltd
Cash flow statements
For the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers (incl GST)		69,449,317	49,223,572	48,733,145	34,420,464
Payments to suppliers and employees (incl GST)		<u>(37,410,559)</u>	<u>(34,400,633)</u>	<u>(22,604,317)</u>	<u>(21,105,406)</u>
		32,038,758	14,822,939	26,128,828	13,315,058
Interest received		522,351	614,846	282,264	359,652
Interest paid		<u>(1,301,076)</u>	<u>(7,164)</u>	<u>(1,299,408)</u>	<u>(6,989)</u>
Income taxes paid		<u>(9,966,912)</u>	<u>(2,241,311)</u>	<u>(7,836,905)</u>	<u>(1,070,478)</u>
Net cash (outflow) inflow from operating activities	29	<u>21,293,121</u>	<u>13,189,310</u>	<u>17,274,779</u>	<u>12,597,243</u>
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	27	<u>(11,973,638)</u>	<u>(18,068,478)</u>	<u>(12,191,993)</u>	<u>(19,097,810)</u>
Payments for property, plant and equipment		<u>(3,617,016)</u>	<u>(651,438)</u>	<u>(3,447,560)</u>	<u>(619,038)</u>
Payments for domain names		<u>(110,768)</u>	<u>(483,716)</u>	<u>(109,383)</u>	<u>(482,440)</u>
Proceeds from sale of property, plant and equipment		-	3,636	-	3,636
Dividends received		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,107,101</u>
Net cash (outflow) inflow from investing activities		<u>(15,701,422)</u>	<u>(19,199,996)</u>	<u>(15,748,936)</u>	<u>(17,088,551)</u>
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		1,293,617	920,357	1,293,617	920,357
Proceeds from borrowings - external		14,006,839	6,404,928	13,992,416	6,404,928
Proceeds from borrowings - related parties		-	-	2,700,000	-
Repayment of borrowings		<u>(2,027,838)</u>	<u>(143,500)</u>	<u>(2,009,422)</u>	<u>(138,795)</u>
Dividends paid to company's shareholders	22	<u>(16,760,987)</u>	<u>(5,283,432)</u>	<u>(16,760,987)</u>	<u>(5,283,432)</u>
Net cash inflow (outflow) from financing activities		<u>(3,488,369)</u>	<u>1,898,353</u>	<u>(784,376)</u>	<u>1,903,058</u>
Net increase (decrease) in cash and cash equivalents		2,103,330	(4,112,333)	741,467	(2,588,250)
Cash and cash equivalents at the beginning of the financial year		<u>5,691,162</u>	<u>9,803,495</u>	<u>3,016,813</u>	<u>5,605,063</u>
Cash and cash equivalents at end of year	8	<u>7,794,492</u>	<u>5,691,162</u>	<u>3,758,280</u>	<u>3,016,813</u>

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

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