

carsales.com Ltd

ABN 91-074-444-018

**Interim financial report
for the half-year ended 31 December
2007**

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Dear Shareholders

The Board is pleased to present the company's Interim Accounts to 31 December 2007.

The company is off to a great start this year, as you will see in the accounts. For the first 6 months of this year the key financial highlights being:

Revenue up 50% on prior period (2006) from \$21.274m to \$31.945m
Profit (EBITDA) up 92% on prior period (2006) from \$6.553m to \$12.592m
Net Profit (after tax) up 81% on prior period (2006) from \$4.678m to \$8.467m

The solid financial performance of the business once again speak for themselves and the business has worked tirelessly over the past six months to integrate its most recent acquisitions of Discount Vehicles Australia and more recently Redbook, developing new product offerings, recruiting new talent and investing in the technology to grow and sustain the business now and into the future.

Your Board has also been focusing on strengthening the company's corporate governance capabilities, with the recent formalization of the Board Audit Committee, establishment of formal Board, Audit Committee and Remuneration Committee Charters and more regular Board meetings to better support the company's continuing growth strategy.

Over the past several months the Board composition has evolved with the addition of Jeffrey Browne who is Managing Director of GTV Nine in Melbourne. Jeffrey is a qualified lawyer that has worked in the automotive industry for many years and is on the Board of HSV. The depth and breadth of Board experience we now have available is very impressive as has been the level of interaction and participation over the past six months and we are all highly committed to the direction the company is heading.

The next six months like the last will be important for our success in the remainder of this financial year and we have an agenda that is again full of activity at all levels of the business and particularly in product based initiatives.

The automotive industry has reached some major milestones over the past calendar year with over 1 million new vehicles being sold for the first time and it seems that 2008 is off to a great start as well, despite the threat of higher interest rates and fuel costs.

The company is still awaiting formal advice from the ATO regarding our previously announced planned 'Capital Return'. Thank you once again for your support over the past six months and I look forward to communicating further with you over the following weeks and months about our progress in pursuing our future objectives.



Sincerely
Wal Pisciotta
Chairman
Oakleigh, Victoria, 6 March 2008

Dear Shareholders,

It seems only yesterday that I was advising on our full year result for FY07 and here we are already more than half way through the FY08 year! Your business continues to move forward at a rapid rate of knots with significant staff growth – both organically as well as from our acquisition activity with over 220 full time staff employed in the business. Financially, our revenue has grown by over 50% from the first half of FY07 with NPAT growth over 80%.

The Discount Vehicles Australia acquisition has integrated extremely well into the carsales network of sites and is delivering fantastic results. They're a great team that share our passion for delivering accountable results to our Dealer customers. The Redbook business is also a great asset and the teams are working together delivering a number of new initiatives – these should be in place by our next half year update.

The business has set a number of new records including over 100,000 dealer enquiries in January 2008 and by the time you read this, our car count will be over 150,000 cars. Traffic is growing in line with these volumes and in January this year, the carsales network represented 6 of the top 10 automotive sites as measured by Nielsen Netratings.

Again, by the time you are reading this update, we will have launched Australia's newest marine website – www.boatsales.com.au. This site will add to our existing number one marine website – www.boatpoint.com.au. The new boatsales site will focus on the trailerable boat marketplace, as well as providing accessory and other services to marine enthusiasts. Please take the time to check it out.

Our Datamotive business (see it at www.datamotive.com.au) is moving ahead rapidly with many new relationships and services in place with many of Australia's most successful car dealerships and car manufacturers/importers. With market leading photography services; prospect management and data solutions, Datamotive is well positioned to show significant growth over the coming years.

We've also recently announced a new in-house initiative: MediaMotive. This full service agency works across our large network of sites – including carpoint; boatpoint; bikepoint, uniquecarsales; and discountnewcars to facilitate the growing attraction advertisers have to get in front of Australia's largest automotive and other classifieds consumers. This "display ad" revenue is core to our growth strategies and bringing all of our various agency relationships under one banner – MediaMotive – will make dealing with any of our sites far simpler than previously. The MediaMotive website should be up and running in the next few weeks at www.mediamotive.com.au.

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

Yours sincerely



Greg Roebuck
Managing Director and CEO
Oakleigh, Victoria, 6 March 2008

Directors' report

Your directors present their report on the consolidated entity consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

Directors

The following persons were directors of carsales.com Ltd during the half year ended 31 December 2007 and up to the date of this report:

Wal Pisciotta
Greg Roebuck
Ric Collins
Ian Law
Pat O'Sullivan
Adrian McKenzie (appointed 20/7/07 and continues in office)
Jeffrey Browne (appointed 17/12/07 and continues in office)

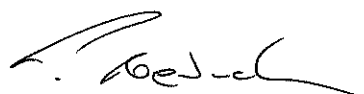
Review of operations

During the half year to 31 December 2007 the Group generated gross revenues of \$31,994,690 (2006: \$21,273,660). Group profits before tax for the period were \$12,045,272 (2006: \$6,654,222) and Group profit after tax was \$8,467,311 (2006: \$4,677,692). Please refer to the Chairman's letter to shareholders and the Managing Director's review of operations for further information about the operations of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Greg Roebuck
Director

Oakleigh, Victoria
6 March 2008

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Auditor's Independence Declaration

As lead auditor for the review of carsales.com Ltd for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



W L Tarrant

Partner
PricewaterhouseCoopers

Melbourne

6 March 2008

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by carsales.com Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

carsales.com Ltd
Consolidated income statement
For the half-year ended 31 December 2007

	Half-year ended	
	31 December	31 December
	2007	2006
Notes	\$	\$
Revenue from continuing operations	31,944,690	21,273,660
Sales and marketing expenses	(11,756,059)	(7,593,711)
Operations and administration	(5,118,345)	(5,373,512)
Service development & maintenance	(2,177,575)	(1,426,684)
Depreciation and amortisation expense	(299,385)	(219,972)
Finance costs	(548,054)	(5,559)
Profit before income tax	12,045,272	6,654,222
Income tax expense	(3,577,961)	(1,976,530)
Profit from continuing operations	<u>8,467,311</u>	<u>4,677,692</u>
Profit attributable to members of carsales.com Ltd	<u>8,467,311</u>	<u>4,677,692</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	3.7	2.1
Diluted earnings per share	3.7	2.1

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

carsales.com Ltd
Consolidated balance sheet
As at 31 December 2007

	31 December 2007	30 June 2007
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	8,044,174	5,691,162
Trade and other receivables	<u>7,313,268</u>	<u>6,578,628</u>
Total current assets	<u>15,357,442</u>	<u>12,269,790</u>
Non-current assets		
Property, plant and equipment	2,274,651	753,177
Intangible assets	<u>77,172,917</u>	<u>65,785,243</u>
Deferred tax assets	<u>702,045</u>	<u>552,268</u>
Total non-current assets	<u>80,149,613</u>	<u>67,090,688</u>
Total assets	<u>95,507,055</u>	<u>79,360,478</u>
LIABILITIES		
Current liabilities		
Interest bearing liabilities	19,733,598	6,452,148
Provisions	<u>977,084</u>	<u>680,712</u>
Current tax liabilities	7,386,451	5,128,861
Trade and other payables	<u>7,076,734</u>	<u>3,055,363</u>
Total current liabilities	<u>35,173,867</u>	<u>15,317,084</u>
Non-current liabilities		
Provisions	587,286	403,964
Interest bearing liabilities	<u>-</u>	<u>18,416</u>
Total non-current liabilities	<u>587,286</u>	<u>422,380</u>
Total liabilities	<u>35,761,153</u>	<u>15,739,464</u>
Net assets	<u>59,745,902</u>	<u>63,621,014</u>
EQUITY		
Contributed equity	61,966,942	60,590,676
Reserves	<u>357,284</u>	<u>303,025</u>
Retained profits (accumulated losses)	<u>(2,578,324)</u>	<u>2,727,313</u>
	<u>59,745,902</u>	<u>63,621,014</u>
Total equity	<u>59,745,902</u>	<u>63,621,014</u>

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

carsales.com Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2007

	31 December 2007	31 December 2006
Notes	\$	\$
Total equity at the beginning of the half-year	<u>63,621,014</u>	<u>52,924,035</u>
Profit for the half-year	<u>8,467,311</u>	<u>4,677,692</u>
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid	4 <u>(13,772,948)</u>	<u>(2,468,428)</u>
Employee share options	<u>1,430,525</u>	<u>562,750</u>
	<u>(12,342,423)</u>	<u>(1,905,678)</u>
Total equity at the end of the half-year	<u>59,745,902</u>	<u>55,696,049</u>

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

carsales.com Ltd
Consolidated cash flow statement
For the half-year ended 31 December 2007

	Half-year ended	
	31 December 2007	31 December 2006
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	31,385,930	22,404,859
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(15,456,837)</u>	<u>(16,824,620)</u>
	15,929,093	5,580,239
Interest income	301,035	326,982
Interest paid	<u>(526,632)</u>	<u>(5,559)</u>
Income taxes paid	<u>(1,489,332)</u>	<u>-</u>
Net cash (outflow) inflow from operating activities	<u>14,214,164</u>	<u>5,901,662</u>
Cash flows from investing activities		
Payments for intangible assets	(30,195)	(1,725)
Payments for purchase of subsidiary, net of cash acquired	<u>(11,970,245)</u>	<u>(343,013)</u>
Payments for property, plant and equipment	<u>(580,414)</u>	<u>-</u>
Net cash (outflow) inflow from investing activities	<u>(12,580,854)</u>	<u>(344,738)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	1,229,617	591,893
Proceeds from borrowings	15,288,485	-
Repayment of borrowings	<u>(2,025,452)</u>	<u>(125,924)</u>
Dividends paid to company's shareholders	<u>(13,772,948)</u>	<u>(2,468,428)</u>
Net cash inflow (outflow) from financing activities	<u>719,702</u>	<u>(2,002,459)</u>
Net increase (decrease) in cash and cash equivalents	2,353,012	3,554,465
Cash and cash equivalents at the beginning of the half-year	<u>5,691,162</u>	<u>9,803,495</u>
Cash and cash equivalents at end of the half-year	<u>8,044,174</u>	<u>13,357,960</u>

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

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by carsales.com Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 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 disclosure have been made. All activities are principally conducted in the Australian Market.

3 Equity securities issued

	31 December 2007 Shares	31 December 2006 Shares	31 December 2007 \$	31 December 2006 \$
Issues of ordinary shares during the half-year				
Exercise of options issued under the carsales.com Ltd Option Plan	1,987,334	1,732,857	1,376,266	591,893

4 Dividends

	Half-year ended	
	31 December 2007 \$	31 December 2006 \$
(a) Ordinary shares		
Final fully franked cash dividend for the year ended 30 June 2007 of 6 cents per share paid on 20 November 2007.	13,772,948	-
Final fully franked cash dividend for the year ended 30 June 2006 of 1.1 cent per share paid on 24 November 2006.	-	2,468,428

5 Business combination

Current period

(a) Summary of acquisition

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

The acquired business contributed revenues of \$1,218,611 and net profit after tax of \$148,072 to the Group for the period from 1 September 2007 to 31 December 2007. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the half year ended 31 December 2007 contributed to the group would have been \$1,820,984 and \$144,710 respectively.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	12,000,000
Cash	<u>188,600</u>
Direct costs relating to the acquisition	<u>12,188,600</u>
Total purchase consideration	
	<u>833,760</u>
Fair value of net identifiable assets acquired (refer below)	<u>11,354,840</u>
Goodwill	

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.

(b) Purchase consideration

	Half-year ended	
	31 December 2007	31 December 2006
	\$	\$
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	<u>(12,188,600)</u>	-
Cash	<u>(218,355)</u>	-
Outflow of cash	<u>(11,970,245)</u>	-

(c) Assets and liabilities acquired

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

5 Business combination (continued)

	Acquiree's carrying amount \$	Fair value \$
Cash and cash equivalents	218,355	218,355
Receivables	321,196	321,196
Property, plant and equipment	1,240,445	1,240,445
Intangibles	2,639	2,639
Other assets	99,674	99,674
Payables	(883,754)	(883,754)
Employee benefit liabilities, including superannuation	(145,611)	(145,611)
Net deferred tax assets	(19,184)	(19,184)
Net identifiable assets acquired	<u>833,760</u>	<u>833,760</u>

Prior period

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

6 Net current liabilities

As at 31 December 2007 the Group had net current liabilities of \$19.82 million. This net current liabilities position reflects a number of specific factors relating to recent acquisitions and future plans for the Group. The directors anticipate the deficiency will be overcome in the next 18 months and have in place appropriate actions and banking facilities to ensure the Group is able to continue to pay all debts as and when they fall due.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 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 consolidated entity's financial position as at 31 December 2007 and of their performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company and group 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.



Greg Roebuck
Director

Oakleigh, Victoria
6 March 2008



INDEPENDENT AUDITOR'S REVIEW REPORT to the members of carsales.com Limited

PricewaterhouseCoopers
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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of carsales.com Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the carsales.com Limited Group (the consolidated entity). The consolidated entity comprises both carsales.com Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of carsales.com Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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



**INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of carsales.com Limited (continued)**

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of carsales.com Limited (the Company) for the half-year ended 31 December 2007 included on carsales.com Limited's web site. The company's directors are responsible for the integrity of the carsales.com Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of carsales.com Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A large, stylized handwritten signature that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature that appears to read 'W. L. Tarrant'.

W L Tarrant
Partner

6 Melbourne
March 2008