

Half Year Report

- 31 December 2009

ASX Half-year information - 31 December 2009

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the
30 June 2009 Annual report

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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 2009 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*.

Corporate Directory**Directors**

Wal Pisciotta (Non Executive Chairman)
Greg Roebuck (Managing Director)
Ric Collins (Non Executive Director)
Ian Law (Non Executive Director)
Pat O'Sullivan (Non Executive Director)
Adrian MacKenzie (Non Executive Director)
Jeffrey Browne (Non Executive Director)
Steve Kloss (Alternate Director)

Share Registry

Computershare Ltd
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Company Secretary

Cameron McIntyre
Margaret Beattie

Auditor

PricewaterhouseCoopers
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Southbank VIC 3006

Registered Office

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Hawthorn VIC 3122

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Stock Exchange

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

ASX: CRZ

**Results for Announcement to the Market
31 December 2009**

				\$'000
Revenue from ordinary activities (Appendix 4D item 2.1)	up	26 %	to	56,329
Profit from ordinary activities after tax attributable to members (Appendix 4D item 2.2)	up	51 %	to	19,062
Net profit for the period attributable to members (Appendix 4D item 2.3)	up	51 %	to	19,062

Dividends / distributions (Appendix 4D item 2.4)	Amount per security (cents)	Franked amount per security (cents)
Interim dividend (Prior year)	5.5	5.5
Final dividend (Prior year)	7.8	7.8
Interim dividend (Current Year)	6.6	6.6

Record date for determining entitlements to the interim dividend
Dividend payable

1 April 2010
16 April 2010

Net tangible assets

Net tangible asset backing per ordinary share is 0.53 cents (2008: -3.5 cents)

	Half-year	
	31 December 2009	31 December 2008
	\$'000	\$'000

Revenue from continuing operations

Online Advertising	49,292	38,375
Data and Research	6,830	6,151
Interest revenue	207	250
Total revenue	56,329	44,776

Operating expenses

Sales & marketing	(16,576)	(16,445)
Service development and maintenance	(4,026)	(4,038)
Operations and administration	(6,780)	(4,590)
Depreciation and amortisation	(1,100)	(824)
Finance costs	(419)	(665)
Other income and expenses	(2)	3
Total expenses	(28,903)	(26,559)

Profit before income tax

Income tax expense	27,426	18,217
Net profit after tax	(8,364)	(5,600)
	19,062	12,617

Explanation of Revenue (Appendix 4D item 2.6)

Revenue for the 6 months to 31 December 2009 grew 26% to \$56.3m (2008: \$44.8m).

- Online advertising revenue grew 28% to \$49.3m (2008: \$38.4m) as a result of continued organic growth.
- Data and Research revenue grew 11% to \$6.8m (2008: \$6.2m) driven by a mixture of organic growth and new product development.
- Interest income for the period was \$0.2m (2008: \$0.3m).

Explanation of Net Profit/(loss) (Appendix 4D item 2.6)

Consolidated net profit after tax for the 6 months to 31 December 2009 grew 51% to \$19.1m (2008: \$12.6m). Net profit margins increased from 28.2% to 33.8% in the period.

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 2009.

Directors

The following persons were directors of carsales.com Ltd during the half year ended 31 December 2009 and up to the date of this report:

Wal Pisciotta
Greg Roebuck
Ric Collins
Ian Law
Pat O'Sullivan
Adrian MacKenzie
Jeffrey Browne
Steve Kloss (acts as an Alternate Director)

Review of operations

During the half year to December 2009 the Group generated gross revenues of \$56.3m (2008: \$44.8m). This result was mainly driven by:

- solid increases in automotive enquiry volumes up 50%
- low double digit growth in automotive private ad volumes

This revenue growth delivered consolidated net profit after tax of \$19.1m (2008: \$12.6m) representing a 51% increase compared to the same period in 2008.

Total operating expenses were \$28.9m (2008: \$26.6m) reflecting a 9% increase.

EBITDA for the half year ended 31 December 2009 was \$28.7m (2008: \$19.5m) up 48% with EBITDA margins increasing from 44% to 51%.

Dividends

On the 24th February 2010, the directors declared a dividend of 6.6 cents fully franked. The dividend will be paid on the 16th April 2010.

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 3.

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



Greg Roebuck
Director

Hawthorn, Victoria
24 February 2010

PricewaterhouseCoopers
ABN 52 780 433 757

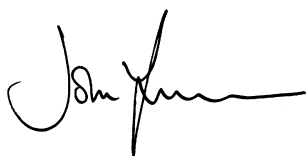
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Auditor's Independence Declaration

As lead auditor for the review of carsales.com Limited for the half year ended 31 December 2009, 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 Limited and the entities it controlled during the period.



John Yeoman
Partner
PricewaterhouseCoopers

Melbourne
24 February 2010

carsales.com Ltd
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	Half-year 31 December 2009 \$	31 December 2008 \$
Revenue from continuing operations	56,329,160	44,775,934
Other income	-	2,883
Sales and marketing expenses	(16,575,511)	(16,444,770)
Service development & maintenance	(4,026,404)	(4,038,502)
Operations and Administration	(6,780,456)	(4,589,709)
Other expenses	(1,101,666)	(823,654)
Finance costs	(419,021)	(665,365)
Profit before income tax	27,426,102	18,216,817
Income tax expense	(8,364,396)	(5,599,805)
Profit from continuing operations	<u>19,061,706</u>	<u>12,617,012</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	(44,167)	98,677
Total comprehensive income for the half-year	<u>19,017,539</u>	<u>12,715,689</u>
Profit is attributable to:		
Owners of carsales.com Ltd	<u>19,061,706</u>	<u>12,617,012</u>
	<u>19,061,706</u>	<u>12,617,012</u>
Total comprehensive income for the half-year is attributable to:		
Owners of carsales.com Ltd	<u>19,017,539</u>	<u>12,715,689</u>
	<u>19,017,539</u>	<u>12,715,689</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:		
Basic earnings per share	8.2	5.5
Diluted earnings per share	8.1	5.4

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

carsales.com Ltd
Consolidated statement of financial position
As at 31 December 2009

	31 December 2009 \$	30 June 2009 \$
ASSETS		
Current assets		
Cash and cash equivalents	18,281,615	15,729,445
Trade and other receivables	<u>14,678,591</u>	<u>12,377,651</u>
Total current assets	<u>32,960,206</u>	<u>28,107,096</u>
Non-current assets		
Property, plant and equipment	4,162,219	4,181,770
Deferred tax assets	1,194,405	1,137,473
Intangible assets	<u>77,862,858</u>	<u>77,774,636</u>
Total non-current assets	<u>83,219,482</u>	<u>83,093,879</u>
Total assets	<u>116,179,688</u>	<u>111,200,975</u>
LIABILITIES		
Current liabilities		
Trade and other payables	7,098,748	7,364,326
Borrowings	1,051	12,129
Current tax liabilities	5,817,653	3,804,880
Provisions	1,270,980	1,264,865
Other current liabilities	<u>3,015,127</u>	<u>3,003,212</u>
Total current liabilities	<u>17,203,559</u>	<u>15,449,412</u>
Non-current liabilities		
Borrowings	18,816,122	18,766,593
Provisions	<u>1,065,001</u>	<u>979,667</u>
Total non-current liabilities	<u>19,881,123</u>	<u>19,746,260</u>
Total liabilities	<u>37,084,682</u>	<u>35,195,672</u>
Net assets	<u>79,095,006</u>	<u>76,005,303</u>
EQUITY		
Contributed equity	64,108,889	62,292,937
Reserves	2,216,624	1,939,716
Retained profits	<u>12,769,493</u>	<u>11,772,650</u>
Capital and reserves attributable to the owners of carsales.com Ltd	<u>79,095,006</u>	<u>76,005,303</u>
Total equity	<u>79,095,006</u>	<u>76,005,303</u>

The above consolidated statement of financial position 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 2009

	31 December 2009	31 December 2008
Notes	\$	\$
Total equity at the beginning of the half-year	<u>76,005,303</u>	<u>67,753,578</u>
Profit for the half-year	<u>19,061,706</u>	<u>12,617,012</u>
Transactions with equity holders in their capacity as equity holders:		
Dividends paid	4 (18,064,862)	(10,922,109)
Contributions of equity upon exercise of employee share options	3 1,815,083	80,750
Shares issued	3 1,225,000	-
Costs associated with share issue	(1,225,000)	-
Increase in share-based payment reserve	321,943	318,000
Exchange differences on translation of foreign operations	<u>(44,167)</u>	<u>98,677</u>
	<u>(15,972,003)</u>	<u>(10,424,682)</u>
Total equity at the end of the half-year	<u>79,095,006</u>	<u>69,945,908</u>

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

carsales.com Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2009

	Half-year	
	31 December 2009	31 December 2008
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	59,350,865	49,748,499
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(32,322,572)</u>	<u>(31,078,795)</u>
	27,028,293	18,669,704
Interest received	206,871	237,768
Interest paid	(433,557)	(714,213)
Proceeds from disposal of financial assets at fair value through profit or loss	-	6,817
Income taxes paid	<u>(6,408,555)</u>	<u>(6,700,374)</u>
Net cash inflow from operating activities	<u>20,393,052</u>	<u>11,499,702</u>
Cash flows from investing activities		
Payments for intangible assets	(228,899)	-
Payments for property, plant and equipment	<u>(941,438)</u>	<u>(1,283,406)</u>
Net cash outflow from investing activities	<u>(1,170,337)</u>	<u>(1,283,406)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	3,040,083	80,750
Costs associated with share issue	(1,645,766)	-
Proceeds from borrowings	1,000,000	1,000,000
Repayment of borrowings	(1,000,000)	(1,000,000)
Dividends paid to company's shareholders	4 <u>(18,064,862)</u>	<u>(10,922,109)</u>
Net cash outflow from financing activities	<u>(16,670,545)</u>	<u>(10,841,359)</u>
Net increase / (decrease) in cash and cash equivalents	2,552,170	(625,063)
Cash and cash equivalents at the beginning of the half-year	<u>15,729,445</u>	<u>7,794,492</u>
Cash and cash equivalents at end of the half-year	<u>18,281,615</u>	<u>7,169,429</u>

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

1 Basis of preparation of half year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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, except as set out below:

carsales.com Ltd had to change some of its accounting policies as a result of new or revised accounting standards which became operative for the annual reporting period commencing 1 July 2009.

The affected policies and standards are:

- AASB 101 *Presentation of Financial Statements*

AASB 101 Presentation of Financial Statements

The group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been represented so that it is also in conformity with the revised standard.

Additionally AASB8 Operating Segments became mandatory for periods beginning 1 January 2009. The group early adopted this standard during the year ended 30 June 2009.

2 Segment information

(a) Description of segments

The Group principally operates in two business segments, namely Online Advertising Services and Data and Research Services. All activities are principally conducted in the Australian Market.

Online Advertising Services

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

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

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

Data and Research Services

The carsales divisions of ERG, Red Book, Live Market and Datamotive provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies, finance and insurance companies offering products including software, research and reporting, valuation services, website development and hosting as well as photography services.

2 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 2009	Online Advertising \$	Data and Research \$	Consolidated \$
Segment revenue			
Segment operating revenue (note (i))	49,292,131	6,830,124	56,122,255
Interest received	198,172	8,733	206,905
Total segment revenue	49,490,303	6,838,857	56,329,160
Segment result			
EBITDA (note (ii))	26,466,705	2,271,208	28,737,913
Depreciation			(1,099,696)
Interest			(212,115)
Profit before income tax			27,426,102
Income tax expense			(8,364,396)
Profit for the half-year			19,061,706
Segment assets			
Segment assets (note (iii))	74,897,013	16,154,186	91,051,199
Deferred tax assets			1,194,405
Unallocated assets			23,934,084
Total assets			116,179,688
Half-year 2008	Online Advertising \$	Data and Research \$	Consolidated \$
Segment revenue			
Segment operating revenue (note (i))	38,375,193	6,150,487	44,525,680
Interest received	226,345	23,909	250,254
Total segment revenue	38,601,538	6,174,396	44,775,934
Segment result			
EBITDA (note (ii))	17,260,425	2,195,157	19,455,582
Depreciation			(823,654)
Interest			(415,111)
Profit before income tax			18,216,817
Income tax expense			(5,599,805)
Profit for the half-year			12,617,012
Segment assets			
Segment assets (note (iii))	71,970,400	15,738,139	87,708,539
Deferred tax assets			941,784
Unallocated assets			13,235,284
Total assets			101,885,607

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

(i) Segment revenues

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

(ii) Segment EBITDA

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

(iii) Segment assets

2 Segment information (continued)

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

(iv) Liabilities

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

(v) Cash flow

Cash flow is not reported to the chief operating decision maker by segment and is assessed at a consolidated entity level.

3 Equity securities issued

	31 December 2009 Shares	31 December 2008 Shares	31 December 2009 \$	31 December 2008 \$
Issues of ordinary shares during the half-year				
Exercise of options issued under the carsales.com Ltd Option Plan	1,376,666	85,000	1,815,083	80,750
Issue of ordinary shares	<u>350,000</u>	<u>-</u>	<u>1,225,000</u>	<u>-</u>
Total for period	<u>1,726,666</u>	<u>85,000</u>	<u>3,040,083</u>	<u>80,750</u>

4 Dividends

	Half-year 31 December 2009 \$	31 December 2008 \$
Ordinary shares		
Final fully franked cash dividend for the year ended 30 June 2009 of 7.8 cents per share paid on 25 August 2009.	18,064,862	-
Final fully franked cash dividend for the year ended 30 June 2008 of 4.75 cents per share paid on 28 November 2008.	-	10,922,109

5 Events occurring after the reporting period

On the 16th February 2010 a renewed commercial agreement was signed with Pentana Solutions. This extends the original agreement for a further 5 years with amended commercial terms as disclosed in our prospectus dated 17th August 2009.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 10 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 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that carsales.com Ltd 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

Hawthorn, Victoria
24 February 2010

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of carsales.com Limited, which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2009 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.

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.

**Independent auditor's review report to the members of
carsales.com Limited (continued)**

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

Independence

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

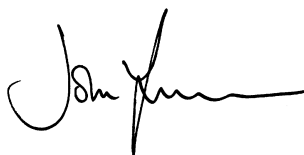
Conclusion

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 2009 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*.



PricewaterhouseCoopers



John Yeoman
Partner

Melbourne
24 February 2010