

Half Year Report

- 31 December 2010

carsales.com Ltd

ASX Half-year information - 31 December 2010

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2010 Annual report

Contents

	Page
Results for Announcement to the Market	1
Directors' report	2
Interim financial report	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the financial statements	8
Directors' declaration	11
Independent review report to the members	12

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 2010 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)
Richard Collins (Non Executive Director)
Ian Law (Non Executive Director from the beginning of the year to date of resignation 25/11/2010)
Patrick O'Sullivan (Non Executive Director)
Adrian MacKenzie (Non Executive Director)
Jeffrey Browne (Non Executive Director)
Steven Kloss (Alternate Director)
Kim Anderson (Non Executive Director)
Graham Brooke (Non Executive Director)
David Gyngell (Non Executive Director appointed 25/11/2010 and continues in office)

Company Secretary

Cameron McIntyre
Margaret Beattie

Registered Office

Level 1, 109 Burwood Rd
Hawthorn VIC 3122

T: +61 3 9093 8600

F: +61 3 9093 8697

W: www.carsales.com.au

Share Registry

Computershare Ltd
452 Johnston street
Abbotsford Vic 3067

T: +61 3 9415 4000

F: +61 3 9473 2500

W: www.computershare.com

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Stock Exchange

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

ASX: CRZ

carsales.com Ltd
For the half-year ended 31 December 2010
(Previous corresponding period: Half-year ended 31 December 2009)

**Results for Announcement to the Market
31 December 2010**

Revenue from ordinary activities	up	31 %	to	\$'000 72,184
Profit from ordinary activities after tax attributable to members	up	45 %	to	27,650
Net profit for the period attributable to members	up	45 %	to	27,650

Dividends / distributions	Amount per security (cents)	Franked amount per security (cents)
Interim dividend (<i>Prior year</i>)	6.6	6.6
Final dividend (<i>Prior year</i>)	8.3	8.3
Interim dividend (<i>Current Year</i>)	9.4	9.4

Record date for determining entitlements to the interim dividend 6 April 2011
Dividend payable 20 April 2011

Net tangible assets

Net tangible asset backing per ordinary share is 8.96 cents (30 June 2010: 3.97 cents)

	Half-year 31 December 2010 \$'000	31 December 2009 \$'000
--	--	-------------------------------

Revenue from continuing operations

Online Advertising	63,441	48,211
Data and Research	8,406	6,830
Interest revenue	337	207
Total revenue	<u>72,184</u>	<u>55,248</u>

Operating expenses

Sales & marketing	(19,126)	(15,495)
Service development and maintenance	(5,736)	(4,026)
Operations and administration	(7,173)	(6,780)
Depreciation and amortisation	(1,335)	(1,100)
Interest expense	(2)	(419)
Other income and expenses	-	(2)
Total expenses	<u>(33,372)</u>	<u>(27,822)</u>

Profit before income tax

	38,812	27,426
Income tax expense	(11,162)	(8,364)
Profit from continuing operations	<u>27,650</u>	<u>19,062</u>

Explanation of Revenue

Revenue for the 6 months to 31 December 2010 grew 31% to \$72.2m (2009: \$55.2m).

- Online advertising revenue grew 32% to \$63.4m (2009: \$48.2m) as a result of continued organic growth.
- Data and Research revenue grew 24% to \$8.4m (2009: \$6.8m) driven by a mixture of organic growth and new product development.
- Interest income for the period was \$0.3m (2009: \$0.2m).

Explanation of Net Profit/(loss)

Consolidated net profit after tax for the 6 months to 31 December 2010 grew 45% to \$27.6m (2009: \$19.1m). Net profit margins increased from 34.5% to 38.3% 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 2010.

Directors

The following persons were directors of carsales.com Ltd during the half year ended 31 December 2010 and up to the date of this report:

Wal Pisciotta (non executive chairman)
Greg Roebuck (managing director)
Richard Collins (non executive director)
Ian Law (non executive director from the beginning of the year to date of resignation 25/11/2010)
Patrick O'Sullivan (non executive director)
Adrian MacKenzie (non executive director)
Jeffrey Browne (non executive director)
Kim Anderson (non executive director)
Graham Brooke (non executive director)
Steven Kloss (alternate non executive director)
David Gyngell (non executive director appointed 25/11/2010 and continues in office)

Review of operations

During the half year to December 2010 the Group generated gross revenues of \$72.2m (2009: \$55.2m). This result was mainly driven by:

- solid increases in automotive enquiry volumes up 16% on pcip;
- continued strong double digit automotive private ad volume growth on pcip;
- buoyant market conditions combined with the ongoing development of the Mediamotive business and relative weakness at the same time last year saw display revenue grow 69% on pcip;
- continued solid growth performances from all other non automotive verticals.

This revenue growth delivered consolidated net profit after tax of \$27.6m (2009: \$19.1m) representing a 45% increase compared to the same period in 2009.

Total operating expenses were \$33.4m (2009: \$27.8m) reflecting a 20% increase.

EBITDA for the half year ended 31 December 2010 was \$39.8m (2009: \$28.7m) up 39% with EBITDA margins increasing from 52% to 55%.

Dividends

On the 23rd February 2011, the directors declared a dividend of 9.4 cents fully franked. The dividend will be paid on the 20th April 2011.

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
23 February 2011

PricewaterhouseCoopers
ABN 52 780 433 757

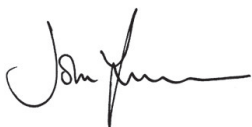
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
pwc.com.au

Auditor's Independence Declaration

As lead auditor for the review of carsales.com Limited for the half year ended 31 December 2010, 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
23 February 2011

carsales.com Ltd
Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

	Half-year 31 December 2010 \$'000	31 December 2009 \$'000
Revenue from continuing operations	72,184	55,248
Employee benefits expense	(720)	(322)
Sales and marketing expenses	(19,126)	(15,495)
Service development & maintenance	(5,736)	(4,026)
Operations and Administration	(6,453)	(6,458)
Other expenses	(1,335)	(1,102)
Interest expense	(2)	(419)
Profit before income tax	38,812	27,426
Income tax expense	(11,162)	(8,364)
Profit from continuing operations	<u>27,650</u>	<u>19,062</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	(71)	(44)
Total comprehensive income for the half-year	<u>27,579</u>	<u>19,018</u>
Profit is attributable to:		
Owners of carsales.com Ltd	<u>27,650</u>	<u>19,062</u>
	<u>27,650</u>	<u>19,062</u>
Total comprehensive income for the half-year is attributable to:		
Owners of carsales.com Ltd	<u>27,579</u>	<u>19,018</u>
	<u>27,579</u>	<u>19,018</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:		
Basic earnings per share	11.8	8.2
Diluted earnings per share	11.7	8.1

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 2010

	31 December 2010 \$'000	30 June 2010 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	19,585	13,604
Trade and other receivables	<u>17,513</u>	<u>16,840</u>
Total current assets	<u>37,098</u>	<u>30,444</u>
Non-current assets		
Property, plant and equipment	2,237	2,379
Deferred tax assets	2,101	1,495
Intangible assets	<u>80,749</u>	<u>79,750</u>
Total non-current assets	<u>85,087</u>	<u>83,624</u>
Total assets	<u>122,185</u>	<u>114,068</u>
LIABILITIES		
Current liabilities		
Trade and other payables	7,277	9,705
Current tax liabilities	6,958	9,321
Provisions	2,448	2,408
Other current liabilities	<u>3,413</u>	<u>3,325</u>
Total current liabilities	<u>20,096</u>	<u>24,759</u>
Non-current liabilities		
Provisions	<u>376</u>	<u>335</u>
Total liabilities	<u>20,472</u>	<u>25,094</u>
Net assets	<u>101,713</u>	<u>88,974</u>
EQUITY		
Contributed equity	68,142	64,384
Reserves	3,639	2,990
Retained profits	<u>29,932</u>	<u>21,600</u>
Capital and reserves attributable to the owners of carsales.com Ltd	<u>101,713</u>	<u>88,974</u>
Total equity	<u>101,713</u>	<u>88,974</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 2010

		31 December 2010 \$'000	31 December 2009 \$'000
	Notes		
Total equity at the beginning of the half-year		<u>88,974</u>	<u>76,005</u>
Profit for the half-year		<u>27,650</u>	<u>19,062</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends paid	4	(19,318)	(18,065)
Contributions of equity upon exercise of employee share options	3	3,758	1,815
Shares issued	3	-	1,225
Costs associated with share issue		-	(1,225)
Increase in share-based payment reserve		720	322
Exchange differences on translation of foreign operations		<u>(71)</u>	<u>(44)</u>
		<u>(14,911)</u>	<u>(15,972)</u>
Total equity at the end of the half-year		<u>101,713</u>	<u>79,095</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 2010

	Half-year	
	31 December	31 December
	2010	2009
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	78,872	59,351
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(41,424)</u>	<u>(32,323)</u>
	37,448	27,028
Interest received	334	207
Interest paid	(2)	(433)
Income taxes paid	<u>(14,131)</u>	<u>(6,409)</u>
Net cash inflow from operating activities	<u>23,649</u>	<u>20,393</u>
Cash flows from investing activities		
Payments for intangible assets	(365)	(229)
Payments for purchase of business, net of cash acquired	(1,033)	-
Payments for property, plant and equipment	<u>(710)</u>	<u>(941)</u>
Net cash outflow from investing activities	<u>(2,108)</u>	<u>(1,170)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	3,758	3,040
Costs associated with share issue	-	(1,645)
Proceeds from borrowings	-	1,000
Repayment of borrowings	-	(1,000)
Dividends paid to company's shareholders	4 <u>(19,318)</u>	<u>(18,065)</u>
Net cash outflow from financing activities	<u>(15,560)</u>	<u>(16,670)</u>
Net increase in cash and cash equivalents	5,981	2,553
Cash and cash equivalents at the beginning of the half-year	<u>13,604</u>	<u>15,729</u>
Cash and cash equivalents at end of the half-year	<u>19,585</u>	<u>18,282</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 2010 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 2010 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, with the exception outlined below:

With effect from the 1st July 2010 the Group changed its accounting policy on revenue recognition in relation to advertising agency sales commissions incurred. When the services of a sales agency has been utilised to sell advertising services on behalf of the Group, previously the commission incurred on these sales was recorded as expenditure. This commission is now recorded as a reduction against total revenue and has the effect of reducing total revenue and costs for the six months to 31st December 2010 by \$1.8m (2009 - \$1.1m). This change has had no impact on profit or retained earnings for either period, being a classification item only, and the comparative income statement has been restated to reflect this change. The Directors believe this change better reflects the economic substance of both the relationship and transactions with sales agencies.

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 31 December 2010	Online Advertising \$'000	Data and Research \$'000	Consolidated \$'000
Segment revenue			
Segment operating revenue (note (i))	63,441	8,406	71,847
Total segment revenue	63,441	8,406	71,847
Segment result			
EBITDA (note (ii))	35,875	3,937	39,812
Depreciation and amortisation			(1,335)
Net interest received			335
Profit before income tax			38,812
Income tax expense			(11,162)
Profit for the half-year			27,650
Segment assets			
Segment assets (note (iii))	74,903	20,053	94,956
Deferred tax assets			2,101
Unallocated assets			25,128
Total assets			122,185
Half-year 31 December 2009	Online Advertising \$'000	Data and Research \$'000	Consolidated \$'000
Segment revenue			
Segment operating revenue (note (i))	48,211	6,830	55,041
Total segment revenue	48,211	6,830	55,041
Segment result			
EBITDA (note (ii))	26,467	2,271	28,738
Depreciation			(1,100)
Net interest expensed			(212)
Profit before income tax			27,426
Income tax expense			(8,364)
Profit for the half-year			19,062
Segment assets - 30 June 2010			
Segment assets (note (iii))	74,086	19,125	93,211
Deferred tax assets			1,495
Unallocated assets			19,362
Total assets			114,068

(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. These items are assessed at a consolidated entity level.

(iii) Segment assets

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.

2 Segment information (continued)

(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 2010 Shares	31 December 2009 Shares	31 December 2010 \$'000	31 December 2009 \$'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the carsales.com Ltd Option Plan	1,582,500	1,376,666	3,758	1,815
Issue of ordinary shares	-	350,000	-	1,225
	<u>1,582,500</u>	<u>1,726,666</u>	<u>3,758</u>	<u>3,040</u>

4 Dividends

	Half-year	
	31 December 2010 \$'000	31 December 2009 \$'000
Ordinary shares		
Final fully franked cash dividend for the year ended 30 June 2010 of 8.3 cents per share paid on 6 October 2010.	19,318	-
Final fully franked cash dividend for the year ended 30 June 2009 of 7.8 cents per share paid on 25 August 2009.	-	18,065

5 Events occurring after the reporting period

No events have occurred after the reporting period.

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 2010 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
23 February 2011

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 report of carsales.com Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for carsales.com Limited (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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2010 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 2010 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
23 February 2011