



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

Lead Manager and Underwriter



IMPORTANT NOTICE

THIS PROSPECTUS

The Offer contained in this Prospectus is an invitation to purchase Shares in carsales.com Limited.

This Prospectus is dated 17 August 2009. A copy of this Prospectus was lodged with the ASIC on that date. No responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates is taken by ASIC or ASX. The Company will apply to ASX for listing of the Company and quotation of the Shares on ASX within seven days after the Prospectus Date. No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

The Offer does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company and you should carefully consider these factors in the light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest. A number of key risk factors that you should consider are outlined in Section 6. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person is authorised to provide any information or to make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company, SaleCo, the Vendor Shareholders, their directors, the Lead Manager, or any other person in connection with the Offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into its possession should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Except to the extent set out below, no action has been taken to register or qualify the Shares or to otherwise permit a public offering of Shares

outside Australia. In particular, the Shares have not been registered under the United States Securities Act of 1933, as amended (US Securities Act), and may not be offered, sold or resold in the United States except in accordance with an available exemption from registration under the US Securities Act and applicable United States state securities laws, which you acknowledge will not be sought by the Company. Shares may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws in that jurisdiction and in accordance with Regulation S of the US Securities Act. For further details refer to Section 2.17 of this Prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications during the Exposure Period. The Exposure Period is the seven day period from the date of this Prospectus and may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the offering of Shares. Any Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period. This Prospectus will be made generally available during the Exposure Period at <http://shareholders.carsales.com.au>.

ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form at <http://shareholders.carsales.com.au>. This Prospectus is only available in electronic form to residents of Australia in Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. During the Offer Period, a paper copy of the Prospectus (including an Application Form) will be provided on request free of charge by calling the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia).

DEFINITIONS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in the Glossary.

PRIVACY

If you apply for Shares, you will provide personal information to the Company, SaleCo, the Vendor Shareholders and the Registry. The Company, SaleCo, the Vendor Shareholders and the Registry collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Tax and company law requires you to supply some of the information to be collected in connection with your Application. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

The Company, SaleCo, the Vendor Shareholders and the Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988:

- The Lead Manager in order to assess your Application;
- The Registry for ongoing administration of the Register;
- The printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail.

The information may also be disclosed to members of the Group and to their agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Registry. You can request access to your personal information by telephoning or writing to the Company through the Registry.

You can obtain a copy of the Company's privacy policy electronically at www.carsales.com.au

COMPANY'S WEBSITES

Any references to documents included on the Company's websites are provided for convenience only, and none of the documents or other information on the website is incorporated by reference.

FINANCIAL AMOUNTS

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

carsales.com.au

Australia's No. 1 because **it works!**

carsalesnetwork™

carsales.com.au

bikesales.com.au

Unique carsales.com.au

quicksales.com.au

CarPoint.com.au

BikePoint.com.au

BoatPoint.com.au

RVPoint.com.au

HorsePoint.com.au

FarmHub.com.au

ConstructionHub.com.au

TruckHub.com.au

MineHub.com.au

ForestryHub.com.au

FactoryHub.com.au

iHub.com.au

discountnewcars.com.au

discountusedcars.com.au

prestigenewcars.com.au

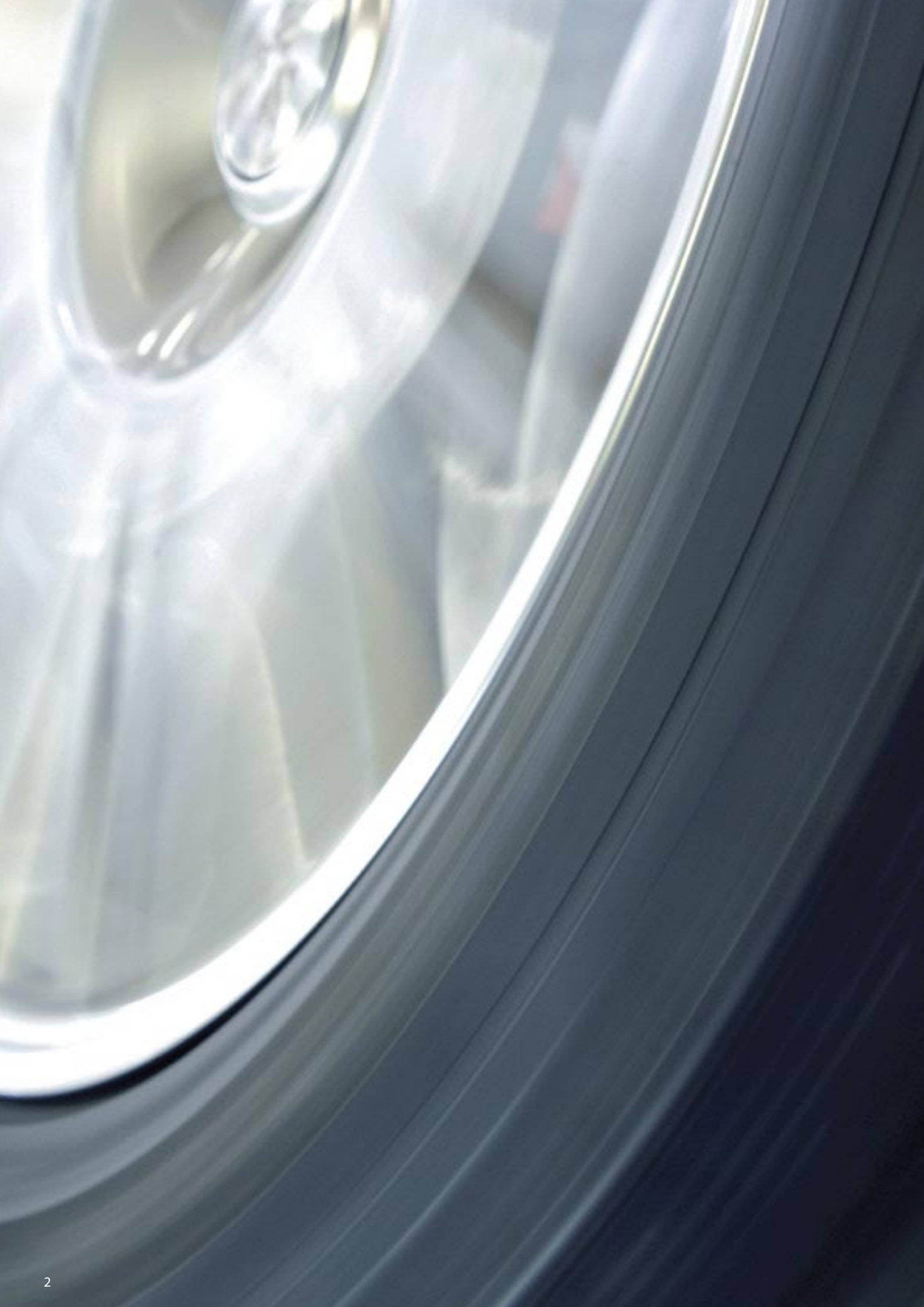
discountnewbikes.com.au

greencarsales.com.au

THE RED BOOK
THE PRICING AUTHORITY

ERG
INTERNATIONAL

DATAMOTIVE



THE OFFER

Offer Price per Share	\$3.50		
Shares offered under this Prospectus (approximately)	Min		Max
- Existing Shares	42.5 million	-	70.7 million
- New Shares	0.4 million	-	0.4 million
Total Shares offered under this Prospectus	42.9 million	-	71.1 million
Shares on issue following the Offer	232.0 million		
Market Capitalisation ¹	\$811.8 million		
Enterprise Value ²	\$823.2 million		
	Historical Financials	Forecasts	
	FY09	FY10	
Total Revenue	\$95.9 million	\$115.2 million	
EBITDA	\$43.7 million	\$56.6 million	
NPAT	\$30.7 million	\$37.1 million	
EPS	13.2 cents	16.0 cents	
PE multiple	26.5 times	21.9 times	
Dividends per Share	13.3 cents	12.8 cents	
Dividend yield (fully franked) ³	3.8%	3.7%	

Notes:

1. At the Offer Price of \$3.50 per Share.
2. Reflects Market Capitalisation plus estimated Net Debt of \$11.4 m as at 30 September 2009. Refer Section 7.11.
3. No guarantee can be given about the payment of dividends, the level of franking of such dividends or the effect of the payout ratio for any future period. These matters depend upon carsales' future profits, and its financial and taxation position at the time.

IMPORTANT DATES

Retail Offer (Broker Firm Offer and Priority Offer) opens (9.00am AEST)	25 August
Priority Offer closes (5.00pm AEST)	1 September
Broker Firm Offer closes (5.00pm AEST)	7 September
Retail and Institutional Settlement	9 September
Basis of Share allocation announced	10 September
Issue and Allotment of Shares	10 September
Deferred settlement trading on ASX commences	10 September
Expected dispatch of holding statements	14 September
Shares expected to commence trading on ASX on a normal settlement basis	15 September

Note: This timetable is indicative only. All dates and times are in reference to AEST. carsales, in consultation with the Lead Manager, reserves the right to vary the times and dates, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

CONTENTS

1. Questions and Answers.....	19
2. Details of the Offer.....	25
3. Industry Overview	35
4. carsales' Business.....	41
5. Board and Management.....	49
6. Risk Factors.....	55
7. Financial Information	61
8. Investigating Accountant's Report	69
9. Additional Information	77
Appendix – Historical Financial Statements	91
Glossary.....	113
Corporate Directory	Inside Back Cover

17 August 2009

Dear Investor

It is with great pleasure that I invite you to become a shareholder in carsales, the market leader in the Australian online automotive advertising market.

Since first registering the carsales.com.au domain name in 1997, carsales has grown to be a successful independent business in a fast-growing industry. carsales is now the largest online automotive, motorcycle and marine classifieds business in Australia, attracting more Australians interested in buying or selling cars, motorcycles or boats than any other classified group of websites. Through an attractive portfolio of websites, we are able to cater to dealers and private vendors alike, achieving widespread coverage of the automotive, motorcycle and marine classifieds and display advertising markets.

The online classifieds and display advertising markets, in which carsales' businesses operate, continue to benefit from the general migration of advertising expenditure from print media to online. carsales believes there are significant advantages to advertising online, rather than in print media - for both buyers and sellers. These advantages will, in carsales' view, continue to drive the growth of the online sector and result in online operators continuing to win existing market share from the print media sector.

carsales' leading position in the automotive advertising market, and its established relationship with industry participants, underpin its strong financial position. For the year ending 30 June 2010 carsales expects to generate revenue and EBITDA of \$115.2 million and \$56.6 million respectively, representing compound annual growth of 36% and 49% respectively for the three year period from 30 June 2007.

Maintaining strong earnings growth continues to be a focus for carsales. carsales aims to grow through a combination of organic growth across existing businesses, leveraging its fixed cost base, and innovation.

An offer of a minimum of 42.9 million Shares, and a maximum of 71.1 million Shares is being made through this Prospectus. The proceeds of the Offer will primarily be used to repay those Existing Shareholders who are selling Shares through the Offer. The proceeds for the Company from the issue of New Shares will be used to pay a portion of the costs of the Offer. Upon listing, carsales will have a market capitalisation of \$811.8 million, based on the Offer Price.

This Prospectus, and specifically Sections 4 and 6, contains detailed information about carsales and, importantly, the risks of an investment of this type. I encourage you to read it in full.

Yours sincerely

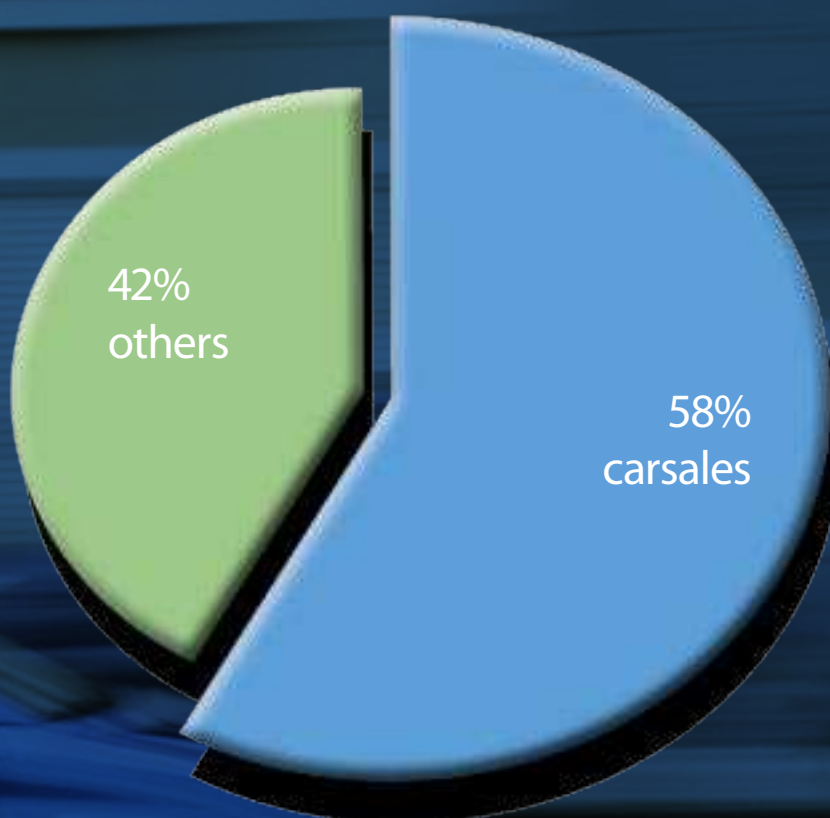


Walter Pisciotta
Chairman

CARSALES IS THE
CLEAR MARKET
LEADER IN ONLINE
AUTOMOTIVE
ADVERTISING



ONLINE AUTOMOTIVE CLASSIFIEDS MARKET SHARE BY REVENUE (2008)




Source: Frost & Sullivan

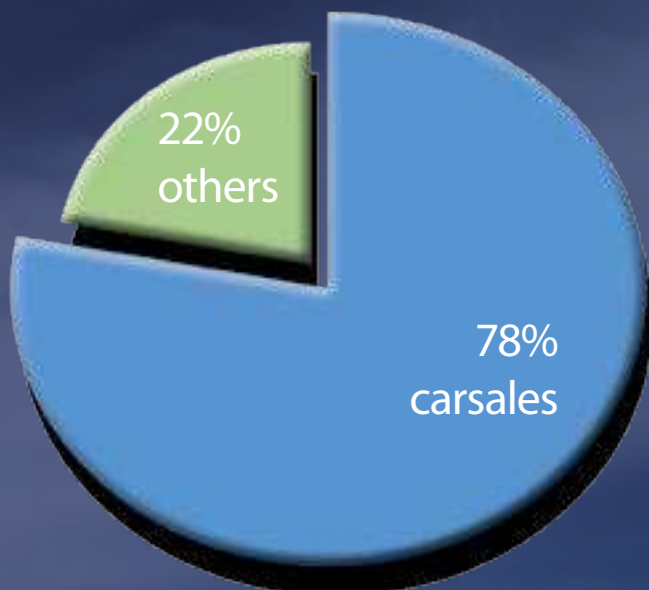
Others comprise: Trading Post Auto, Drive, Carsguide and others

Notes:

1. Revenue apportioned to online segment of print focussed businesses are estimates only.
2. Automotive classification includes bikes.

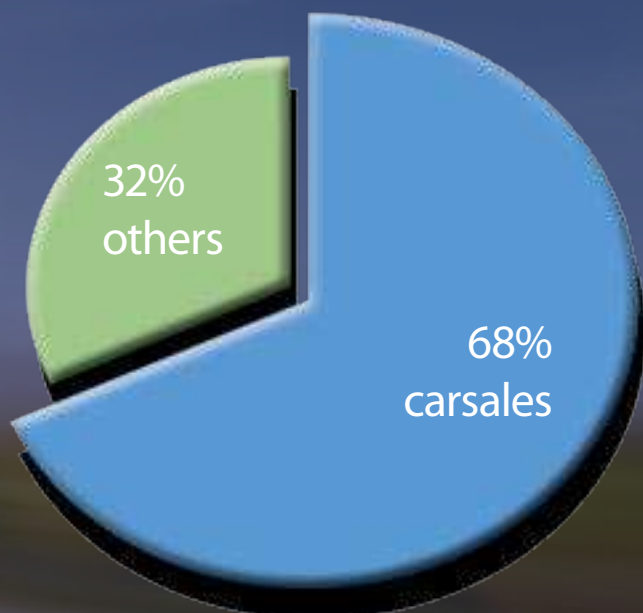
OVER TWO THIRDS
OF TIME SPENT ON
ONLINE AUTOMOTIVE
CLASSIFIEDS IS
SPENT ON WEBSITES
RUN BY CARSALES





PAGE IMPRESSIONS

Source: Nielsen Online, Market Intelligence, domestic traffic for audited sites, Australia, June 2009
Others comprise: Telstra, Fairfax Digital and News Digital



TOTAL TIME ON SITE

Source: Nielsen Online, Market Intelligence, domestic traffic for audited sites, Australia, June 2009
Others comprise: Telstra, Fairfax Digital and News Digital



CONTINUED
MIGRATION FROM
PRINT TO ONLINE
IS DRIVING REVENUE
GROWTH IN THE
ONLINE CLASSIFIEDS
MARKET

THE STRUCTURAL SHIFT IN CLASSIFIEDS FROM PRINT TO ONLINE



Source: CEASA

Note:

Print classifieds includes newspaper classifieds only.

ONLINE AUTOMOTIVE
CLASSIFIEDS INDUSTRY
IS FORECAST TO
GROW AT A CAGR
OF 22% p.a.

AUSTRALIAN ONLINE AUTOMOTIVE CLASSIFIEDS INDUSTRY FORECAST

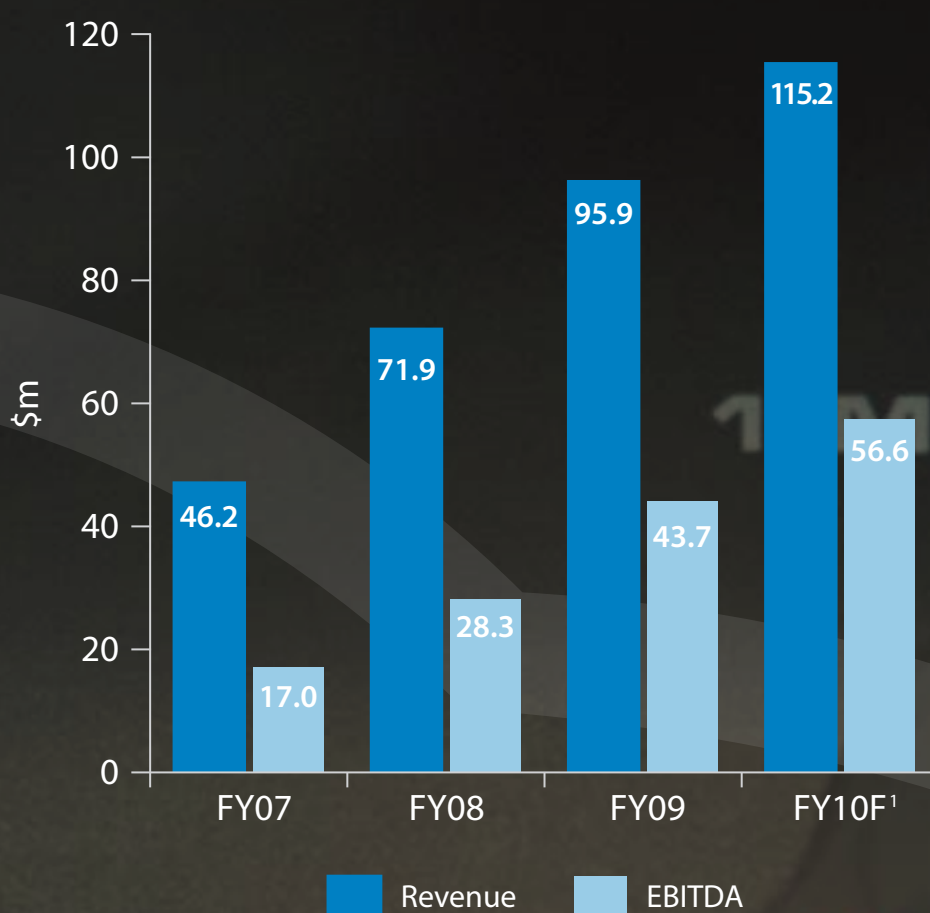


Source: Frost & Sullivan

CARSALES HAS A STRONG TRACK RECORD OF REVENUE AND EARNINGS GROWTH

STRONG GROWTH
EXPECTED TO CONTINUE
WITH FY10 REVENUE
EXPECTED TO INCREASE BY
20% AND EBITDA BY 30%

CARSALES REVENUE AND EBITDA PERFORMANCE

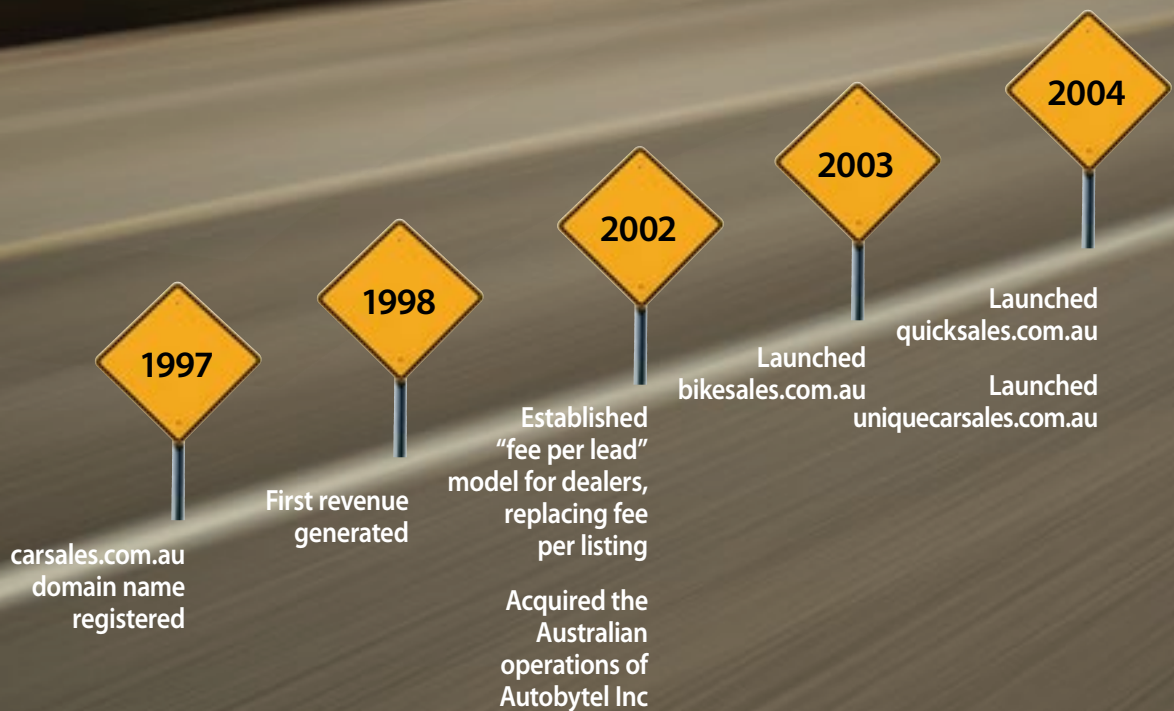


Source: carsales

Note:

1. Refer to sections 6 and 7 for more detailed financial information and for a discussion of the risk factors affecting the Forecast and the assumptions on which it is based.

OUR HISTORY





KEY INVESTMENT RISKS

Set out below is a summary of risks associated with an investment in carsales.

Maintenance of Professional Reputation and Brand Name

The success of carsales is heavily reliant on its reputation and branding. Unforeseen issues or events, which place carsales' reputation at risk, may impact on its future growth and profitability.

Relationship with Dealers

carsales derives a significant proportion of its revenue from motor vehicle dealers. A change in the size and/or structure of this market could impact carsales' earnings. In particular, consolidation of the market resulting in fewer, larger dealers or increased manufacturer control of dealer's online advertising activity may impact upon the prospects of carsales.

In addition the majority of carsales' revenue is generated under monthly agreements with motor vehicle dealers. Should a significant number of dealers cancel or fail to renew their agreements, this may have an adverse effect on the financial performance of carsales.

Competition

The online automotive advertising industry is highly competitive. carsales' performance could be adversely affected if existing or new competitors reduce carsales' market share from its current level.

Downturn in the Motor Vehicle or General Advertising Market

The performance of carsales will continue to be influenced by the overall condition of the motor vehicle market. The motor vehicle market is influenced by the general condition of the Australian economy, which by its nature is cyclical and subject to change. In addition, carsales derives a significant proportion of its revenue from display advertisers on its network of websites. A continued decline in the advertising market as a result of broader economic influences could have a negative impact on carsales' earnings.

Internet Penetration and Rate of Migration to Online

Internet penetration in the Australian market has been growing at a steady rate, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of carsales.

In addition, growth in online advertising is underpinned by a range of factors including migration from more traditional forms of media. Migration has been driven by a number of factors affecting both buyers and sellers, including increased Internet penetration and broadband speeds. Whilst the migration online has occurred over recent years there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of carsales.

Information Technology

carsales' business operations rely on IT infrastructure and systems. Any interruptions to these operations could impair carsales' ability to operate its customer facing websites which could have a negative impact on carsales' performance.

carsales' future performance will also depend on its ability to monitor and manage major projects such as website upgrades and other projects involving its IT infrastructure.

Concentration of Shareholding

Following completion of the Offer, ACP Magazines (100% owned by PBL Media) will hold approximately 49.2% of the Shares and, accordingly, may be in a position to exert significant influence over the outcome of matters relating to carsales.

In addition, ACP Magazines is not subject to escrow and therefore Shares held by ACP Magazines will be able to be freely traded on ASX. A significant sale of Shares by ACP Magazines, or the perception that such sales have or might occur could adversely affect the price of carsales' Shares. Alternatively, the absence of any sale of Shares by ACP Magazines may cause or at least contribute to a diminution in the liquidity of the market for the Shares.

Other

The above list of risks is not exhaustive. Other risks associated with an investment in carsales are set out in Section 6 of this Prospectus. Prospective Applicants should read the entire Prospectus before applying for Shares under the Offer.

1. QUESTIONS AND ANSWERS



1. QUESTIONS AND ANSWERS

Outlined below is a summary of the Offer.

For detailed information refer to the Sections listed on the right.

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION
What does carsales do?	carsales is Australia's leading online automotive classifieds business. It owns and operates a portfolio of automotive and related industry websites, including Australia's number one automotive classifieds website, carsales.com.au. Founded in 1996, carsales' head office is in Melbourne, Australia, and the Company has operations in every mainland State of Australia, and in parts of New Zealand and Asia.	Section 4.2
What is being offered?	The Offer is an initial public offer of between 42.9 – 71.1 million Shares, comprising 0.4 million New Shares and 42.5 – 70.7 million Existing Shares.	Section 2.1
What is the purpose of the Offer?	To: <ul style="list-style-type: none"> • allow the Existing Shareholders to realise a portion of their investment; • achieve listing on ASX, broaden the Shareholder base and provide a liquid market for Shares in carsales; • provide an opportunity for employees to invest in carsales; • provide the broader business with the benefits of increased profile, transparency and credibility that arises from being a listed entity; • provide carsales with ongoing access to the capital markets to improve capital management flexibility; and • assist carsales in attracting and retaining quality staff. 	Section 2.2
What is the Offer Structure?	The Offer comprises: <ul style="list-style-type: none"> • the Retail Offer, which includes the Broker Firm Offer and the Priority Offer; and • the Institutional Offer, which consists of an invitation to bid for Shares made to institutional investors in Australia, as well as institutions in other selected jurisdictions other than the United States. <p>No Shares are being offered to the general public.</p>	Section 2.6, 2.7 & 2.9
What is the Offer Price?	The Offer Price is \$3.50 per Share.	
What is the minimum/maximum subscription under the Offer?	Applications must be for a minimum of 1,000 Shares (\$3,500). Applications in excess of the minimum number of Shares must be in multiples of 500 Shares (\$1,750). There is no maximum amount that may be applied for under the Retail Offer. However, the Lead Manager, in consultation with carsales, reserves the right to reject Applications in excess of 30,000 Shares, or from persons whom they believe may be institutional investors.	Section 2.7

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION
What are the expected proceeds of the Offer?	Total proceeds of the Offer will be a minimum of \$150.0 million and a maximum of \$248.7 million.	Section 2.4
How will the proceeds of the Offer be used?	The proceeds of the Offer will primarily be used to pay Vendor Shareholders and other Eligible Existing Shareholders who are selling their Shares through SaleCo. The proceeds for the Company from the issue of New Shares will be used to pay a portion of the costs of the Offer.	Section 2.4
Is the Offer underwritten?	Yes, the Offer is fully underwritten by Macquarie Capital Advisers Limited. A complete summary of the Underwriting Agreement, including termination events, is included in Section 9.1.4.	Section 2.16 & 9.1.4
What will be the Market Capitalisation of carsales after listing on the ASX?	The Market Capitalisation of carsales at listing is expected to be \$811.8 million, based on the Offer Price.	Summary of the Offer
Who is making the Offer?	The Vendor Shareholders and SaleCo are making the Offer of between 42.5 – 70.7 million Existing Shares. The Offer of 0.4 million New Shares is being made by carsales.	Section 2.1
Who is SaleCo?	Carsales SaleCo Pty Limited ACN (138 129 530) (SaleCo) is a special purpose vehicle established to sell Shares acquired from Eligible Existing Shareholders.	Section 9.2
What is the role of SaleCo?	The role of SaleCo is to offer Shares for sale under this Prospectus. SaleCo will acquire between 16.0 – 44.2 million Shares from Eligible Existing Shareholders. The price payable by SaleCo to Eligible Existing Shareholders for these Shares will be the Offer Price, net of the Seller Costs. These Shares will be transferred to successful Applicants under this Prospectus.	Section 9.2
Who is eligible to invest in the Offer?	<p>Retail investors under the Broker Firm Offer or Priority Offer:</p> <ul style="list-style-type: none"> The Broker Firm Offer is open only to Australian resident retail investors who have received a firm allocation from their Broker. The Priority Offer is being extended to Eligible Employees and certain other individuals as identified by carsales. <p>Institutional investors:</p> <ul style="list-style-type: none"> The Lead Manager will invite certain institutions in Australia and selected other jurisdictions to participate in the Offer. <p>All Retail Applicants must have an eligible residential address in Australia.</p>	Section 2.6, 2.7 & 2.9

1. QUESTIONS AND ANSWERS

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION
<p>What are the key dates of the Offer?</p>	<p>Retail Offer (Broker Firm Offer and Priority Offer) opens (9.00am AEST)25 August Priority Offer closes (5.00pm AEST).....1 September Broker Firm Offer closes (5.00pm AEST) 7 September Retail and Institutional Settlement 9 September Basis of Share allocation announced 10 September Issue and Allotment of Shares..... 10 September Deferred Settlement trading on ASX commences10 September Expected dispatch of holding statements 14 September Shares expected to commence trading on ASX on a normal settlement basis..... 15 September</p> <p>This timetable is indicative only. All dates and times are in reference to AEST. carsales, in consultation with the Lead Manager, reserves the right to vary the times and dates, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of this Prospectus or any Applicants.</p>	<p>Section 2.3</p>
<p>Will carsales pay dividends?</p>	<p>The Board currently intends to distribute approximately 80% of future net profit after tax as dividends to Shareholders and to frank dividends to the greatest extent possible. No guarantee can be given about the payment of dividends, the level of franking of such dividends or the effect of the payout ratio for any future period. These matters depend upon carsales' future profits, and its financial and taxation position at the time.</p> <p>Subject to the achievement of the Forecast and other relevant factors, the Board expects to declare a fully franked dividend of approximately 12.8 cents per share relating to FY10, which equates to a yield of 3.7%.</p> <p>The final dividend for FY09 will be paid to Existing Shareholders on 25 August 2009. No further dividend in relation to the year ended 30 June 2009 will be paid following the Offer.</p> <p>Applicants under the Offer will not be entitled to the final dividend for FY09.</p>	<p>Section 9.1.2</p>

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION
What is the allocation policy?	For Broker Firm Applicants, it will be a matter for Brokers as to how they allocate firm stock among their retail investors. Priority Offer allocations will be at the absolute discretion of carsales, subject to guaranteed minimum allocations for Priority Offer Applicants. Institutional Offer allocations will be determined by the Lead Manager in consultation with carsales.	Section 2.8 & 2.9
What are the costs of the Offer and who is paying for them?	The offer costs include legal, accounting, advisory, other costs associated with pre-offer structuring and the production of offering documentation. At the time of production of this Prospectus these costs were estimated to be \$1.2 million. carsales will pay these costs of the Offer. The underwriting and offer management expenses, estimated to be between \$4.9 to 8.1 million will be borne by carsales, the Vendor Shareholders and SaleCo in the manner described in Section 9.1.4.	Section 9.1.4 & 9.10
What are the tax implications of investing in carsales?	The taxation implications of investing in carsales will depend on an investor's individual circumstances. Applicants should obtain their own tax advice prior to applying for Shares.	Section 9.3
How can I obtain further information?	By reading this Prospectus in its entirety, calling the Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia) or contacting your accountant, lawyer, stockbroker or other professional adviser.	Section 2.19
As a retail investor, how do I apply for Shares in carsales?	By submitting a valid Application Form in accordance with the instructions set out in Section 2.7 of this Prospectus.	Section 2.7
When will I receive confirmation that my Application has been successful?	Holding statements, confirming Applicants' allocations under the Offer, are expected to be dispatched to Shareholders on or about 14 September 2009 and the Shares are expected to commence trading on a normal settlement basis on 15 September 2009.	Section 2.3, 2.12 and 2.13
Contact details	For further contact details, see the Corporate Directory at the back of this Prospectus.	Corporate Directory on inside of back cover.

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2. DETAILS OF THE OFFER



2. DETAILS OF THE OFFER

2.1 DESCRIPTION OF THE OFFER

The Offer comprises a sale of Existing Shares by the Vendor Shareholders and SaleCo, and the issue of New Shares by the Company.

The number of Shares to be offered under this Prospectus is 42.9 – 71.1 million, comprising 0.4 million New Shares to be offered by carsales and 42.5 – 70.7 million Existing Shares to be offered by the Vendor Shareholders and SaleCo. The final number of Shares to be offered under this Prospectus will depend on the number of Shares transferred to successful Applicants via SaleCo (see section 2.5 and 9.2 for further details).

The number of Shares on issue at completion of the Offer will be 232.0 million.

2.2 PURPOSE OF THE OFFER

The purpose of the Offer is to:

- allow the Existing Shareholders to realise a portion of their investment;
- achieve listing on ASX, broaden the Shareholder base and provide a liquid market for Shares in carsales;
- provide an opportunity for employees to invest in carsales;
- provide the broader business with the benefits of increased profile, transparency and credibility that arises from being a listed entity;
- provide carsales with ongoing access to the capital markets to improve capital management flexibility; and
- assist carsales in attracting and retaining quality staff.

2.3 KEY DATES OF THE OFFER

Important dates	
Retail Offer opens (9.00am AEST)	25 August
Priority Offer closes (5.00pm AEST)	1 September
Broker Firm Offer closes (5.00pm AEST)	7 September
Retail and Institutional Settlement	9 September
Basis of Share allocation announced	10 September
Issue and Allotment of Shares	10 September
Deferred settlement trading on ASX commences	10 September
Expected dispatch of holding statements	14 September
Shares expected to commence trading on ASX on a normal settlement basis	15 September

Note: This timetable is indicative only. All dates and times are in reference to AEST. carsales, in consultation with the Lead Manager, reserves the right to vary the times and dates, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

2.4 OFFER PROCEEDS

The proceeds of the issue of New Shares will be used by carsales to pay a portion of the costs of the Offer. The proceeds of the sale of Existing Shares (net of the costs of underwriting the Offer, which will be borne by the Vendor Shareholders and SaleCo as described in section 9.1.4) will be received by the Vendor Shareholders and by SaleCo. The proceeds received by SaleCo, less the Seller Costs, will be passed on to those Existing Eligible Shareholders who sold Shares into the Offer via SaleCo. The funds received for the sale of Existing Shares will not be paid to carsales.

Sources of funds	\$Am
Issue of New Shares	1.2
Sale of Existing Shares	148.8 – 247.5
Total Proceeds	150.0 – 248.7

Uses of funds	\$Am
Payment to Vendor Shareholders	89.7
Payment to SaleCo for sale by Eligible Existing Shareholders	54.2 – 149.7
Costs of the Offer ¹	6.1 – 9.3
Total use of funds	150.0 – 248.7

1. Assuming payment of discretionary incentive fee.

The Company expects that it will have sufficient working capital from its operations and funding sources to fund its business objectives.

2.5 SHAREHOLDING STRUCTURE

The shareholding structure of carsales immediately prior to and following completion of the Offer is set out in the table below.

A number of Existing Shareholders have provided a commitment to sell 26.5 million Shares into the Offer (Vendor Shareholders). In addition, a number of Existing Shareholders have committed to sell 16.0 million Shares into the Offer via SaleCo (See section 9.2 for further details).

SaleCo is a special purpose vehicle that has been established to provide a facility for Eligible Existing Shareholders to realise all or a portion of their investment. Each Eligible Existing Shareholder will be offered the opportunity to nominate a number of Shares it wishes to sell into the Offer via SaleCo by 1 September and therefore the total number of Shares available under the Offer will not be known until this time. See section 9.2 for further details.

	Pre-Offer		Post-Offer		Options
	Shares (m)	%	Shares (m)	%	
ACP Magazines Limited	114.2	49.3%	114.2	49.2%	750,000 ¹
Walter Pisciotta and associated entities	37.1	16.0%	18.7	8.1%	250,000
Greg Roebuck and associated entities	10.9	4.7%	7.3	3.2%	800,000
Steven Kloss and associated entities	5.2	2.3%	2.6	1.1%	127,500
Richard Collins and associated entities	3.8	1.6%	1.9	0.8%	125,000
Other Existing Shareholders	60.4	26.1%	16.2 – 44.4	7.0 – 19.1%	2,810,000 ²
New Shareholders pursuant to the Offer	-	-	42.9 – 71.1	18.5 – 30.6%	
Total	231.6	100.0	232.0	100.0	

1 Each of Patrick O'Sullivan, Ian Law, Adrian MacKenzie and Jeffrey Browne hold Options on trust for ACP Magazines. Collectively these Directors hold 750,000 Options. See Section 9.4 for more details.

2 Options are held by both Existing Shareholders and non-Shareholders.

Walter Pisciotta, Greg Roebuck, Steven Kloss and Richard Collins confirm that they and their respective associated entities agree not to dispose or otherwise deal with the Shares held by them immediately post the Offer until carsales has released its financial results for the year ending 30 June 2010, except in order to accept a takeover bid or to participate in a scheme of arrangement proposed in accordance with the Corporations Act. No other Existing Shareholder has given a similar confirmation.

PBL Media (which owns its Shares via ACP Magazines) has decided not to sell any Shares in the Offer. PBL Media is supportive of the carsales business model and its growth potential. PBL Media currently intends to remain a shareholder as it hopes to participate in the future growth of carsales. PBL Media has given its support to the Offer to provide liquidity to smaller shareholders.

2. DETAILS OF THE OFFER

2.6 OFFER STRUCTURE

The Offer comprises:

- the Retail Offer, which includes the Broker Firm Offer, and the Priority Offer; and
- the Institutional Offer, which consists of an invitation to bid for Shares made to institutional investors in Australia, as well as institutions in other selected jurisdictions other than the United States.

No Shares are being offered to the general public.

The Lead Manager, in consultation with carsales, will determine the allocation of Shares between the Retail Offer and the Institutional Offer.

All Shares offered for subscription under this Prospectus rank equally with each other and with Existing Shares.

2.7 THE RETAIL OFFER

The Retail Offer is open to certain retail investors, being those investors that apply under the Broker Firm Offer and the Priority Offer and who have a registered address in Australia. The Retail Offer opens at 9.00am AEST on 25 August 2009 and closes at the times noted below for the Broker Firm Offer and the Priority Offer.

The Retail Offer may be closed at any earlier date, without notice. If you are applying under the Retail Offer, you are therefore encouraged to submit your Application as soon as possible after the Offer opens at 9.00am AEST on 25 August 2009.

Applicants are required to nominate the number of Shares they wish to apply for in the Retail Offer. Applications must be for a minimum amount of 1,000 Shares which equates to \$3,500 at the Offer Price. Applications in excess of the minimum amount must be in multiples of 500 Shares which equates to \$1,750 at the Offer Price.

There is no maximum number of Shares which may be applied for under the Retail Offer. However the Lead Manager, in consultation with carsales, reserve the right to reject Applications in excess of 30,000 Shares, or which are from persons whom they believe may be institutional investors.

Successful Applicants in the Retail Offer will be allotted or transferred Shares at the Offer Price.

2.7.1 Broker Firm Offer

The Broker Firm Offer is open only to Australian resident retail investors who have received a firm allocation from their Broker.

In order to receive their firm allocation, applicants under the Broker Firm Offer must lodge their Application Forms and Application Monies with their Broker, in accordance with their Broker's instructions. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

carsales, SaleCo, the Vendor Shareholders, the Registry and the Lead Manager are not liable for any acts or omissions by your Broker in connection with your Application, Application Form or Application Monies.

The Broker Firm Offer closes at 5.00pm AEST on 7 September 2009.

2.7.2 Priority Offer

The Priority Offer is being extended to Eligible Employees and certain other individuals as identified by carsales. Under the Priority Offer, Eligible Employees of carsales and certain other individuals are each being offered a guaranteed allocation of Shares.

Individuals who will be entitled to participate in the Priority Offer will receive an email from the Registry providing details of their priority allocation, instructions on how to download a personalised Application Form and how to complete their Application.

The Priority Offer closes at 5.00pm AEST on 1 September 2009.

Applicants under the Priority Offer can complete their Application in one of two ways.

Option 1: Pay via BPAY^{®1} payment

To follow this option, you should:

- download and read this Prospectus at <http://shareholders.carsales.com.au>;
- follow the link to your personalised Application Form;
- complete your personalised Application Form in accordance with the instructions set out on the Application Form; and
- pay your Application Monies via BPAY[®] in accordance with the instructions set out on the Application Form.

1. [®] registered to BPAY Pty Limited ABN 69 079 137 518

Please note that should you choose to pay by BPAY® payment you do not need to submit an Application Form but are taken to make the statements and declarations on that form.

You need to ensure that your BPAY® payment is submitted and processed by your financial institution so that funds are received by the Registry by no later than 5.00pm AEST on 1 September 2009.

Priority Offer Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment.

Option 2: Submit your completed Application Form together with cheque or bank draft

To follow this option, you should:

- download and read this Prospectus at <http://shareholders.carsales.com.au>;
- follow the link to your personalised Application Form;
- complete your personalised Application Form in accordance with the instructions set out on the Application Form; and
- print out the Application Form and return it to the Registry (address details below) together with a cheque(s) or bank draft(s) in Australian dollars drawn on an Australian branch of an Australian bank for the value of the Shares for which Application is made. All cheques must be made payable to 'carsales.com Limited Share Offer Account' and crossed 'not negotiable'.

You need to ensure that your completed Application Form and cheque(s) or bank draft(s) reaches the Registry at the following address by no later than 5.00pm AEST on 1 September 2009;

Computershare Investor Services Pty Limited
GPO Box 52, Melbourne, VIC 3001

Sufficient cleared funds must be held in your account as cheques/bank drafts returned unpaid may not be re-presented and may result in your Application being rejected.

2.7.3 Acceptance of Applications

An Application in the Retail Offer is an offer by the Applicant to carsales to subscribe for Shares in the amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form.

An Application may be accepted by the Company in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract with effect from Settlement.

The Lead Manager, in consultation with carsales, reserves the right to reject any Application under the Offer.

If an Application is rejected or accepted in part only, the relevant part of the Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

2.8 ALLOCATION POLICY

The Lead Manager, in consultation with carsales, has absolute discretion regarding the allocation of Shares between the Retail Offer and the Institutional Offer, subject to any firm allocations for the Broker Firm Offer and any minimum guaranteed allocations to Priority Offer Applicants, and may reject any Application, or allocate a lesser amount of Shares than those applied for, in its absolute discretion.

2.8.1 Allocations Under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail investors will be issued to Broker Firm Applicants nominated by those Brokers. It will be a matter for each Broker as to how it allocates firm stock among its retail investors, and each Broker (and not carsales, the Lead Manager, the Vendor Shareholders or SaleCo) will be responsible for ensuring that retail investors who have received a firm allocation receive the relevant Shares.

Broker Firm Applicants will be able to confirm their firm allocations through their Broker. However, Applicants in the Broker Firm Offer who sell Shares before receiving an initial statement of holding do so at their own risk, even if they have obtained details of their holding from their Broker.

2. DETAILS OF THE OFFER

2.8.2 Allocations Under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of carsales, subject to Priority Offer Applicants being guaranteed an allocation as advised by carsales, or any lesser number of Shares properly applied for, at the Offer Price.

2.8.3 Announcement of Allocation Policy

carsales expects to announce the final allocation policy under the Retail Offer on or about 10 September 2009. Applicants in the Retail Offer will be able to call the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia) from 10 September 2009 to confirm their allocations. However, if you are an Applicant in the Retail Offer and sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the carsales Offer Information Line.

2.8.4 Refunds

Application Monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or the Offer is withdrawn or cancelled. No interest will be paid on any refunded amounts. carsales will retain any interest earned on Application Monies.

Refund cheques will be sent as soon as practical following the close of the Offer.

2.9 INSTITUTIONAL OFFER

The Institutional Offer consists of an invitation to certain institutional investors in Australia and selected other jurisdictions (other than the United States) to apply for Shares.

Application procedures for institutional investors have been advised by the Lead Manager.

The allocation of Shares amongst bidders in the Institutional Offer will be determined by the Lead Manager in consultation with carsales. The Lead Manager will have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid.

The allocation policy will be influenced by, but not constrained by, the following factors:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Lead Manager, in consultation with carsales, considers appropriate, at its sole discretion.

2.10 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of Shares under the Offer.

2.11 ASX LISTING

carsales will apply within seven days after the date of this Prospectus for admission to the Official List of ASX and quotation of the Shares on ASX. All contracts formed on acceptance of Applications under the Retail Offer and bids in the Institutional Offer will be conditional on the quotation of the Shares on ASX. If the Shares are not admitted to quotation within three months after the date of this Prospectus, Application Monies will be refunded to the Applicant as soon as practicable (without interest). It is expected that the Shares will be issued to successful Applicants on 10 September 2009.

2.12 CHESS AND HOLDING STATEMENTS

carsales intends to apply to participate in ASX's Clearing House Electronic Sub-register System (CHESS), in accordance with the Listing Rules and the ASTC Settlement Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in a paperless form.

When the Shares become CHESS approved securities, holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. The Shares of a Shareholder, who is a participant in CHESS or a person sponsored by a participant in CHESS, will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following the issue of the Shares to successful Applicants, Shareholders will be sent an initial statement of holding that sets out the number of Shares that have been allocated. This statement will also provide details of a Shareholder's holder identification number (HIN) or where applicable, the securityholder reference number (SRN) of issuer sponsored holders. Shareholders will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Registry. Holding statements are expected to be dispatched on 14 September 2009. Certificates will not be issued to Shareholders.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker, in the case of a holding on the CHESS sub-register, or through the Registry in the case of a holding on the issuer sponsored sub-register. The Company or the Registry may charge a fee for these additional issuer sponsored statements.

2.13 COMMENCEMENT OF TRADING

It is expected that trading of the Shares on ASX will commence on or about 10 September 2009, on a deferred settlement basis.

It is the responsibility of each Applicant or bidder to confirm its holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial statement of holding do so at their own risk. carsales, SaleCo, the Vendor Shareholders, the Lead Manager and the Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the carsales Offer Information Line, by a broker or otherwise.

Shares are expected to commence trading on ASX on a normal settlement basis on or about 15 September.

2.14 ELECTRONIC PROSPECTUS

The Offer constituted by this Prospectus is available electronically only to Australian residents accessing and downloading or printing the electronic version of this Prospectus within Australia. Australian residents may view this Prospectus online at <http://shareholders.carsales.com.au>. Applicants using one of the Application Forms attached to the electronic version of this Prospectus must be resident in Australia. The electronic version of this Prospectus is not available to persons outside Australia. In particular, it is not available in the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

During the Offer Period, a paper copy of the Prospectus (including an Application Form) will be provided on request free of charge by calling the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia).

2.15 TAXATION

Investors wishing to apply for Shares in the Offer should give consideration to the tax implications of any such investment. Different taxation circumstances will apply to different investors, depending on factors such as whether the investor is a resident or a non-resident of Australia for taxation purposes and whether the investor is an individual, a company, a trust, or a complying superannuation fund. Accordingly, potential investors are advised to seek their own taxation advice before investing in carsales. See Section 9.3 for further information.

2.16 UNDERWRITING

The Shares offered under this Prospectus have been fully underwritten by the Lead Manager at the Offer Price. A summary of the Underwriting Agreement, including fees payable to the Lead Manager and termination provisions, is set out in Section 9.1.4.

2.17 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The Shares have not

2. DETAILS OF THE OFFER

been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States.

Each person to whom the Offer is made under this Prospectus (and each person to whom the Institutional Offer is made) will be required to represent, warrant and agree as follows (and will be taken to have done so if it makes a bid in the Institutional Offer):

- that the Shares have not been, and will not be, registered under the US Securities Act, or in any other jurisdiction outside Australia;
- that the Applicant is not in the United States; and
- that the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia, except in the latter case, a transaction exempt from registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold.

No person is authorised to provide any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by carsales or the Lead Manager or any other person, nor will any such persons have any liability or responsibility in relation to them.

2.17.1 New Zealand

The Shares have not and will not be offered, sold or delivered, directly or indirectly, nor will any information memorandum, advertisement or offering material in relation to any offer of the Shares be distributed in New Zealand, other than to persons who are "eligible persons" (as defined in the Securities Act 1978 (NZ)) or to persons who are: (i) relatives or close business associates of the issuer or a director of the issuer (ii) persons whose principal business is the investment of money or persons who in the course of their business habitually invest money (iii) persons who are each required to pay a subscription price of (NZ)\$500,000, (iv) any other person who in the circumstances can properly be regarded as having been selected as otherwise than as a member of the public" (v) or in other circumstances where there is no contravention of the Securities Act 1978 (NZ).

2.17.2 Singapore

This Prospectus has not been lodged or registered as a prospectus with the Monetary Authority of Singapore, and the Shares will be offered in Singapore only pursuant to exemption in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the Act).

Accordingly, the Company has not offered or sold and will not offer or sell the Shares nor will it circulate or distribute this Prospectus or any other offering document or material relating to the Shares, either directly or indirectly, in Singapore, and this Prospectus and any other offering document or material relating to the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore, other than in circumstances under which such offer, sale, circulation or distribution is permitted under the Act, including:

- (a) to an institutional investor (as defined in section 4A of the Act) under section 274 of the Act (an "Institutional Investor");
- (b) to a relevant person (as defined in section 275 of the Act (including an accredited investor as defined in section 4A of the Act (an "Accredited Investor"))), or any person pursuant to section 275(1A) of the Act, and in accordance with the conditions specified in section 275 of the Act (a "Relevant Person"); or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Act as amended from time to time.

Where the Shares are initially acquired pursuant to an offer made in reliance on an exemption under section 274 or section 275 of the Act, the Shares may not be sold within a period of six (6) months from the date of initial acquisition to any person other than (i) an Institutional Investor, (ii) a Relevant Person or (iii) a person who acquires the securities as principal at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) in accordance with the applicable conditions in section 275 of the Act.

Where the Shares are initially acquired pursuant to an offer made in reliance of an exemption under section 275 of the Act by (i) a corporation (which is not an Accredited Investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor, the securities of such corporation shall not be transferred within six (6) months after such corporation has acquired the securities, or (ii) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor, the beneficiaries' rights and interests in such trust shall not be transferred within six (6) months after such trust has acquired the securities, unless in each case (a) the transfer is made only to Institutional Investors or Relevant Persons or arises from an offer of the securities of such corporation that is made to a person as principal at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) in accordance with the applicable conditions in section 275 of the Act, or from an offer of the rights or interests in such trust that is made to a person at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency), as the case may be, (b) no consideration is or will be given for the transfer, or (c) the transfer is by operation of law.

2.17.3 United Kingdom

Neither this Prospectus nor any accompanying letter or any other documents have been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000 ("FSMA")) has been published or is intended to be published in respect of the Shares. Accordingly, the Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except to persons who are qualified investors within the meaning of section 86(7) of the FSMA.

In the United Kingdom, this Prospectus is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities falling within Article 49(2) of the Order

and (c) any other persons to whom it may otherwise lawfully be communicated, (all such persons together being referred to as "relevant persons").

This Prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents. This Prospectus must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

2.17.4 Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong and will not be registered in Hong Kong. This Prospectus is intended to be distributed to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "Securities and Future Ordinance") and the rules made under that Ordinance. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

By applying for Shares a Hong Kong resident will be deemed to have represented and agreed that:

- (a) it/he/she has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Shares other than:
 - (i) to "professional investors" as defined above; or
 - (ii) in other circumstances which do not result in the documents being a "prospectus" as defined in the Company Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it/he/she has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by,

2. DETAILS OF THE OFFER

the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined above.

2.18 RIGHT TO VARY OR WITHDRAW OFFER

carsales, in consultation with the Lead Manager, has the right to vary any of the dates or times set out in this Prospectus relating to the Offer, without notice to any recipient of this Prospectus or any Applicant. This includes, although is not limited to, varying the length of the Offer Period.

The Lead Manager, either in consultation with carsales, or via termination of the Underwriting Agreement, may terminate the Offer, in which case all Application Monies will be returned (without interest) to the respective Applicants.

2.19 ENQUIRIES

If you require assistance to complete the Application Form, you should contact the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia) between 8:30am and 5:00pm AEST during the Offer Period.

If you are unclear in relation to any matter or are uncertain as to whether carsales is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

3. INDUSTRY OVERVIEW



3. INDUSTRY OVERVIEW

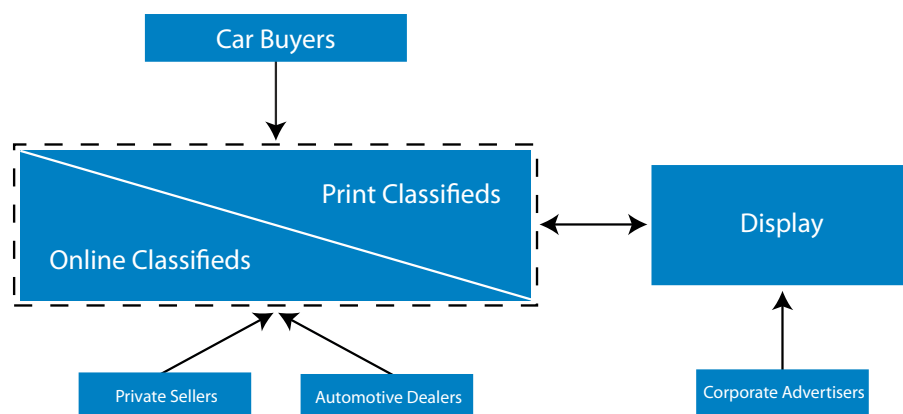
carsales operates within the online automotive advertising industry generating revenue through classified and display advertising on its websites. carsales' operations are predominantly based in Australia.

3.1 MARKET STRUCTURE OF THE AUTOMOTIVE ADVERTISING INDUSTRY

Automotive classifieds businesses act as facilitators to the automotive market, linking buyers and sellers of motor vehicles. In addition, these businesses can also provide general, or "display", advertising for companies advertising automotive products, such as motor vehicle manufacturers/importers, and related services such as finance and insurance.

The market structure of carsales' advertising market is outlined below in Figure 3.1.

Figure 3.1: carsales Advertising Market Structure



Automotive classifieds have traditionally existed in the print media and have primarily been used to advertise used cars, with the advertisement providing a brief description and occasionally a photograph of the vehicle for sale.

For many years, print media represented the dominant medium for automotive classifieds. However, the introduction and continued development of the Internet has substantially changed the automotive classifieds industry by providing advertisers (both car dealers and private sellers) with access to a larger number of potential buyers that is not limited by geographic distribution, via a timely medium. In addition, online classifieds generally provide advertisers with a mechanism to accurately measure their return on advertising expenditure, the ability to target niche audiences and to provide potential buyers with more photographs and content rich information on the vehicle for sale. There has been a migration of classified advertising from print media to online, some of the advantages of which are further described in Table 3.1 below.

Table 3.1: carsales View of the Advantages of Online Automotive Classifieds Advertisements

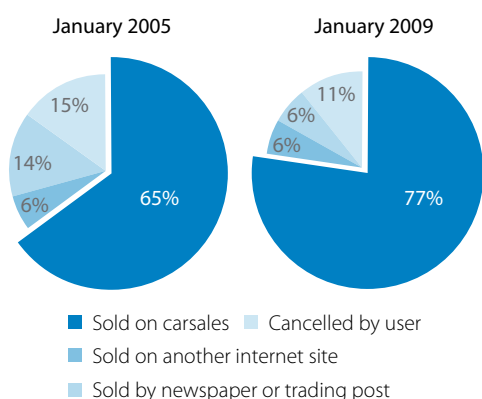
Advantages for buyers	Advantages for advertisers (dealers; private sellers)
<ul style="list-style-type: none"> Greater functionality in searching for motor vehicles Users can search by vehicle make, location, new, used or demo by keyword or any number of other elements or combinations Higher inventory than print sources Full description available and detailed specifications as generally there are very large word limits Comparison tools to help narrow selection Proactive notification of new listings Greater convenience, ease-of-use and time effectiveness 	<ul style="list-style-type: none"> Generally more cost effective than print media Vehicle listings can be placed 24/7, with no advertising deadlines and can be changed at any time, any number of times High level of accountability Ability to more accurately target potential purchasers Ability for advertisements to have interactive links Ability for vehicle listings to contain full specification information whilst only needing to provide basic vehicle information Ability to reach a wider audience Ability to provide dealers with tools to integrate the advertisements of their inventory with capability to manage associated enquiries

carsales expects that these advantages will continue to underpin the growth of the online sector, including through market share gains at the expense of the print media sector.

In carsales' experience, the Internet was initially used by vehicle sellers as an additional advertising medium with websites such as carsales.com.au used to supplement the seller's primary print advertisement. Many major vehicle website publishers are still affiliated with a major newspaper, magazine or general classifieds operator. As advertiser awareness of the advantages of the Internet have grown, an increasing number of sellers have migrated their spend to online only, rather than bundling their online advertising with print.

Figure 3.2 below shows that compared to January 2005, more private customers of carsales.com.au are selling their cars through carsales relative to print media. In carsales view, this reflects both the increasing usage and effectiveness of the Internet, as well as the relative reduction in use of print classifieds as advertisers migrate from print.

Figure 3.2: Increasing Effectiveness of carsales in Selling Cars – "How Did You Sell Your Car?"



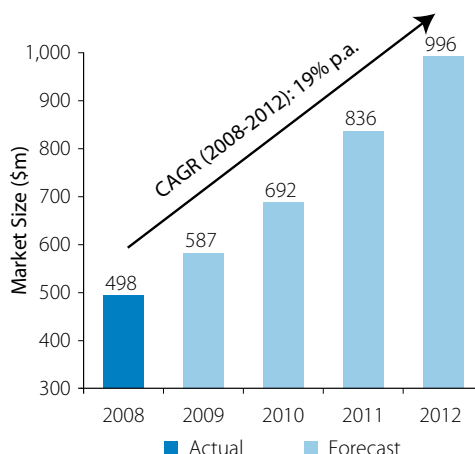
Source: carsales. The data is compiled from exit survey data received from carsales' private customers upon the removal of their advertisement from the carsales site. In this survey customers are asked how they sold their vehicle. In the case of the category 'cancelled by user' the most common reasons for this response is because the advertiser has either decided not to sell their vehicle or have sold it through other channels such as family, friends or trade in.

3.2 MARKET SIZE OF THE ONLINE AUTOMOTIVE ADVERTISING INDUSTRY

3.2.1 Online Classifieds

Total online classifieds spend in Australia is estimated by Frost & Sullivan at \$498 million for 2008 and has experienced significant growth as awareness of the benefits and adoption of online classifieds increases. As shown in Figure 3.3 below, online classifieds spend is forecast to experience a compound annual growth rate of 19% per annum between 2008 and 2012.

Figure 3.3: Online Classifieds Industry Market Forecast



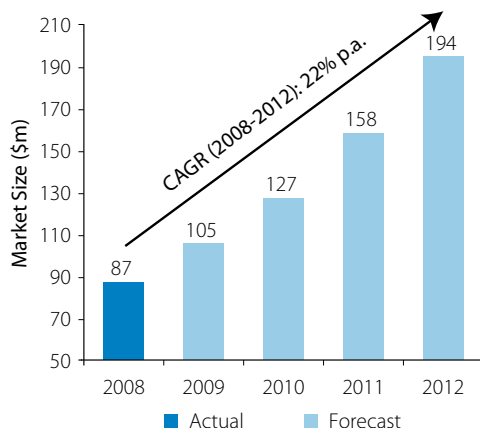
Source: Frost & Sullivan

The automotive segment of the online classifieds industry is expected to be one of the fastest growing segments of the industry, with compound annual growth forecast to be 22% per annum between 2008 and 2012. This compares to an expected compound annual growth of 16% for employment, 23% for real estate and 9% for general/personal.

As shown in Figure 3.4 below, the online automotive classifieds industry in Australia is estimated by Frost & Sullivan at \$87 million in 2008 and is forecast to grow to \$194 million in 2012.

3. INDUSTRY OVERVIEW

Figure 3.4: Australian Online Automotive Classifieds Industry Forecast



Source: Frost & Sullivan

Frost & Sullivan estimates that 68% of online automotive classifieds revenue in 2008 was generated from automotive dealers, the vast majority of which originated from the advertising of used vehicles. The remaining 32% of industry revenue was estimated to be derived from private advertisers selling used vehicles.

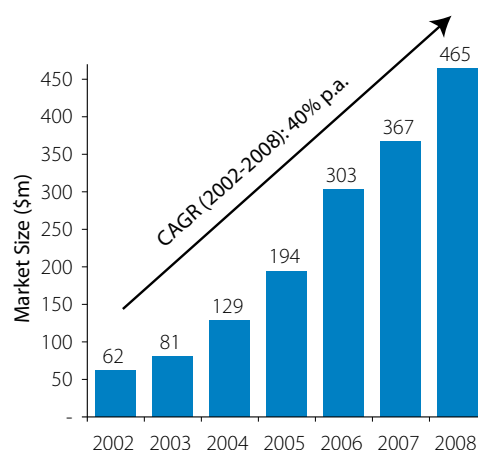
In carsales view, whilst currently only a small percentage of online classified revenue, the use of online classified advertising for new car sales has been an emerging source of growth for the online classified industry, reflecting the increasing adoption of the Internet as an advertising medium by automotive dealers and the increasing confidence that consumers have in the Internet as a quality and dependable medium to research prospective purchases.

3.2.2 Online Display Advertising

Automotive classifieds websites also derive revenue from display advertising, posted predominantly by corporate advertisers. This advertising may take the form of banner advertisements, islands, skyscrapers, integrated links and buttons, which allow corporate advertisers to target specific consumer groups that utilise particular websites.

In 2008, the Australian online display advertising market was estimated by IAB Australia at \$465 million or approximately 27% of the total online advertising market. As shown in Figure 3.5 below, the market has grown from \$62 million in 2002, representing a compound annual growth of 40% per annum.

Figure 3.5: Australian Online Display Advertising Spend



Source: IAB Australia

Automotive manufacturers and importers whose advertising spend promotes brand and vehicle awareness, spent an estimated \$69 million on online display advertising in 2008, representing 15% of the total online display advertising spend.

Separately, Nielsen estimates that automotive manufacturers and importers spent a total \$1.1 billion on advertising in FY08 across all main media platforms, with the large automotive manufacturers such as Toyota, Mitsubishi, Ford and General Motors Holden frequently amongst the top advertisers by total spend.

In addition to deriving display revenue from automotive manufacturers and importers, automotive classifieds websites can also derive display advertising revenue from related sectors such as finance and insurance. In 2008, IAB Australia estimated that the finance and insurance sectors spent approximately \$113 million between them on online display advertising, representing 24% of total online display advertising spend.

3.3 KEY INDUSTRY DRIVERS

3.3.1 General Economic Conditions

Activity within the automotive industry and the demand for online automotive advertising is a function of the general level of demand for new and used cars, which is influenced by macroeconomic factors such as interest rates and fuel prices as well as factors influencing household wealth, such as unemployment, property and share market indices.

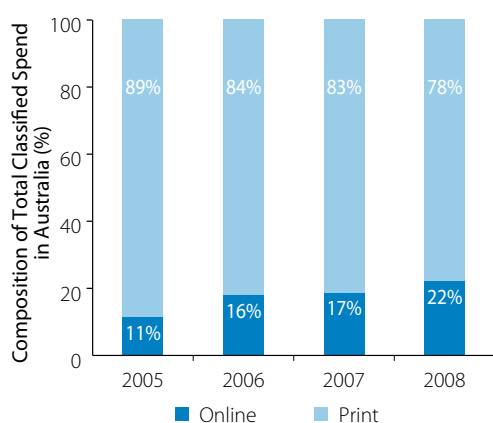
While new car sales are an important driver of the demand for automotive advertising and are an emerging segment of online automotive classifieds, the level of used car transactions is currently the largest contributor to automotive classifieds.

3.3.2 Migration from Print to Online

The growth of the online classifieds industry is also driven by the increasing use of the Internet by advertisers instead of traditional print advertising media. The historical migration of classifieds from print to online is shown in Figure 3.6 below. In carsales' view, the growth in online reflects the significant competitive advantages that the Internet provides in terms of reach, cost efficiency and accountability. carsales expect these factors to accelerate this migration during an economic downturn as advertisers strive for greater efficiency, effectiveness and accountability from their advertising spend.

In addition, the development and increased use of more interactive and content rich display advertisements is also expected by carsales to contribute to increased migration from non-interactive print mediums.

Figure 3.6: Structural Shift in Classifieds from Print to Online



Source: CEASA

Note: Print classifieds includes newspaper classifieds only

3.3.3 Internet and Broadband Penetration

Since its establishment, the online automotive advertising industry has benefited from increasing levels of Internet usage, usability and accessibility in Australia. According to the Australian Bureau of Statistics, 67% of Australian households had access to the Internet and 52% of households had broadband

access in FY08. Internet and broadband penetration have driven the growth of e-commerce and online advertising relative to traditional media channels and carsales expects this to continue.

Broadband penetration is also expected to benefit from the Australian Government's recently announced plan to spend up to \$43 billion over an eight year period from 2010 to establish a National Broadband Network. The improved speed and quality of service is expected to further drive broadband subscriber growth in metropolitan, regional and rural areas, increasing usage of the Internet.

3.3.4 Release of New Products by Automotive Manufacturers

In carsales' experience, the marketing campaigns of automotive manufacturers and importers mainly comprise advertisements relating to the release of new products, updates, special offers or run outs of existing products. As such, online display advertising spend by automotive manufacturers and importers is primarily driven by the product pipeline and life cycle of existing products in the market. Similarly, automotive manufacturers' and importers' promotional campaigns are driven by the need to move inventory.

The online display advertising spend of the other major advertisers, such as finance and insurance companies, is influenced by the level of car buying activity and the desire of these advertisers to present to potential new customers prior to, or immediately post, them transacting in a vehicle purchase.

3.3.5 Government Policy

Demand for motor vehicles, and hence activity in the automotive advertising industry, is in part driven by the price of vehicles which is in turn influenced by the existence of any Government taxes, concessions or grants on vehicles.

Taxes on motor vehicles are currently levied by both Federal and State Governments. For example the Federal Government levies a luxury car tax on new cars priced over a threshold and the State Government levies stamp duty on the transfer of registration of new and used cars.

Governments also, from time to time, provide incentives in the form of concessions, grants or financial assistance. The Federal Government has recently introduced a scheme enabling eligible

3. INDUSTRY OVERVIEW

businesses to claim an extra 30% or 50% in depreciation on eligible motor vehicles contracted prior to a specified date and based on the size of the acquiring company.

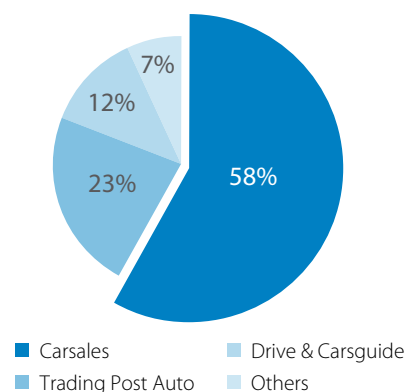
3.4 COMPETITIVE LANDSCAPE

The Australian automotive classifieds advertising market is highly fragmented with revenue spread across a large number of print and online participants. The majority of the larger businesses operate both online and print automotive classifieds businesses. carsales is the only significant pure online competitor in the Australian market, with a core focus on online automotive classifieds.

Unlike the broader market, the online automotive classifieds sector is relatively consolidated with the top three players controlling more than 90% of total revenue. The market is characterised by high barriers to entry in the form of branding, traffic and inventory.

carsales was the pioneer in the Australian online automotive classifieds industry and is the clear market leader with Frost & Sullivan estimating its revenue market share in 2008 at 58%. Its key competitors include Trading Post Auto, which is owned by Telstra; Drive, which is owned by Fairfax Media; and Carsguide, which is owned by News Limited.

Figure 3.7: Online Automotive Classifieds Market Share by Revenue (2008)



Source: Frost & Sullivan

Note (1): Revenue apportioned to online segment of print focussed businesses are estimates only

Note (2): The market share of Drive and Carsguide cannot be apportioned due to a distribution agreement between the two companies

Note (3): Automotive classification includes bikes

Note:

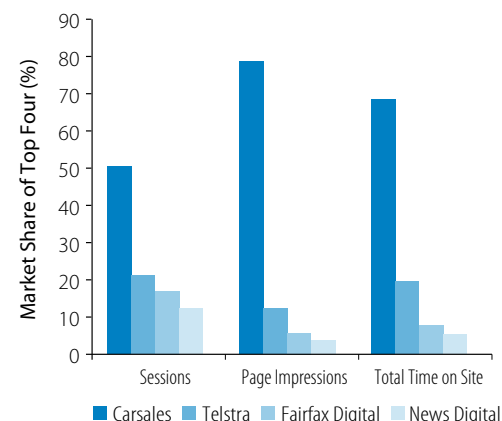
1. Nielsen Online, Market Intelligence, domestic traffic for audited sites, Australia, June 2009

carsales' clear market leading position is also reflected in key online metrics (as shown in Figure 3.8 below), including user sessions, page impressions and total time on site:

Of the sites measured by Nielsen:

- Over 68% of all time spent looking at automotive classifieds websites is done on a carsales owned website¹
- carsales serves more pages than its 3 closest competitors combined¹
- carsales network of sites receive over 50% of all user sessions on automotive sites¹

Figure 3.8: Key Online Metrics Market Share Amongst Top Four (as at June 2009)



Source: Nielsen Online, Market Intelligence, domestic traffic for audited sites, Australia, June 2009

Note: Automotive classification includes bikes

The online display advertising market is highly fragmented with a broad range of websites across industries offering advertising space for advertisers. The market position of websites within this segment depends upon the amount of traffic driven to the site and the desirability of its audience to advertisers.

3.5 REGULATION

There is no specific regulation relating to the online automotive advertising industry or licensing requirements. Rather, competition and trade practices regulations apply to the online automotive advertising industry to protect consumers from false or misleading advertising. Further, although the online automotive advertising industry is not directly regulated, its dealer customers are regulated by various State and Territory licensed motor car trader requirements. These regulations and requirements indirectly impact carsales' business.

4. CARSALES' BUSINESS



4. CARSALES' BUSINESS

4.1 OVERVIEW

carsales is Australia's leading online automotive classifieds business. The Company owns and operates a portfolio of automotive and related industry websites including Australia's number one automotive classifieds website, carsales.com.au, and ten of the top twenty automotive sites as measured by average daily unique browsers. The Company also owns and operates Australia's number one and two motorcycle and marine classifieds websites, bikesales.com.au, BikePoint.com.au, boatsales.com.au and BoatPoint.com.au.

carsales was established in 1996 by the shareholders of Reynolds & Reynolds (now known as Pentana Solutions), a supplier of information technology and communications systems to automotive dealers in the Asia Pacific region. The carsales.com.au website was launched in 1997, and generated its first revenue in September 1998.

In October 2005, carsales acquired the Trader Online Assets from ACP Magazines, which at the time was a division of Publishing and Broadcasting Limited (PBL). The acquisition of the Trader Online Assets (which included the CarPoint.com.au, BoatPoint.com.au and BikePoint.com.au websites) gave carsales control of another leading specialist automotive website publisher, CarPoint.com.au, extending its market leading position in the online automotive classifieds industry.

Year	Company History
1997	carsales.com.au domain name registered
1998	First revenue generated
2002	Established fee per lead model for dealers, replacing fee per listing Established "list until sold" model for private sellers, replacing time based listings Acquired the Australian assets of Autobytel Inc
2003	No 1. ranking automotive site Launched bikesales.com.au
2004	Launched quicksales.com.au Launched uniquecarsales.com.au
2005	Acquired Trader Online Assets from PBL (including CarPoint.com.au) for scrip Acquired the boatsales.com.au domain name
2007	Established Datamotive as the services division of carsales Acquired Discount Vehicles Australia (including discountnewcars.com.au) Acquired Automotive Data Services – trading as The Red Book Attained 140,000 vehicles for sale on carsales.com.au website
2008	Launched boatsales.com.au Attained 170,000 vehicles for sale on carsales.com.au website
2009	Launched greencarsales.com.au Launched Mediamotive as the direct corporate sales division of carsales

Websites operated by carsales now attract more automotive browsers than any other automotive network in Australia. The carsales.com.au website has over 150,000 cars listed for sale from approximately 2,300 dealers and tens of thousands of private vendors. It was awarded the Frost & Sullivan 2007 online classifieds advertising advertiser satisfaction award in 2008 and has been ranked by Nielsen as the number one Auto site since November 2003¹. The carsales network receives more sessions than its major competitors combined².

Notes:

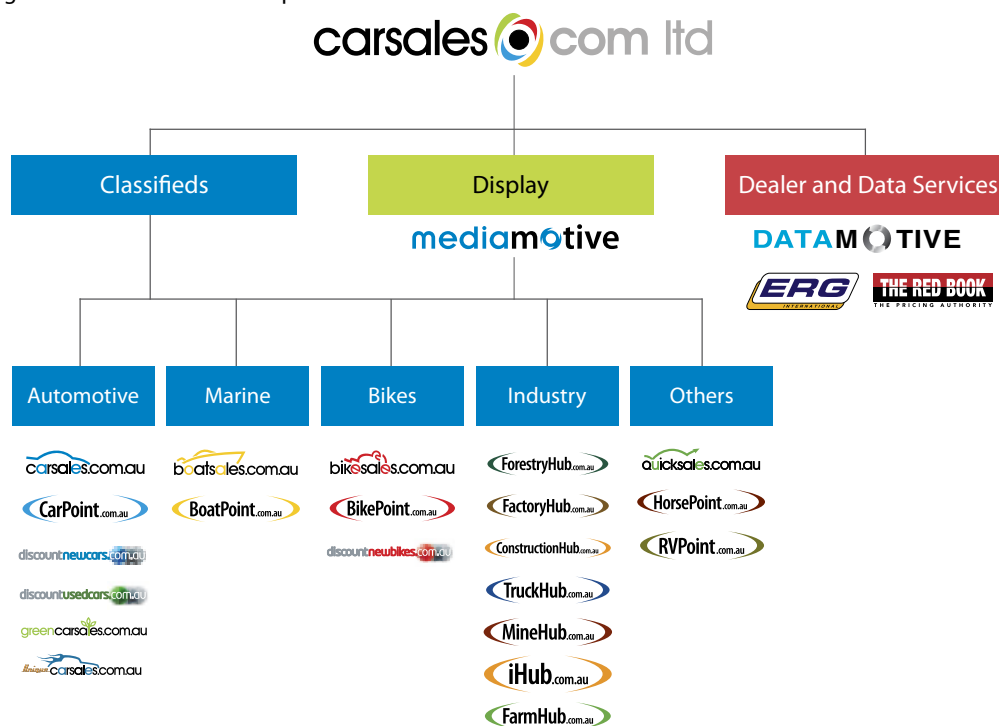
1. Source: Nielsen Online Market Intelligence Domestic Traffic for audited sites Australia.
2. Source: Nielsen Online Market Intelligence Domestic Traffic for audited sites Australia, June 2009

4.2 BUSINESS OPERATIONS

carsales owns and operates the leading online automotive classifieds website, carsales.com.au. The carsales brand is built around a focused and successful business model that seeks to leverage the competitive advantages that carsales believes online classifieds offer advertisers (such as reach, cost effectiveness and accountability) together with the unique product offering it has developed. carsales then seeks to leverage the high amount of traffic driven to its website by offering display advertising space to corporate advertisers including automotive companies, and other related companies such as finance and insurance providers.

carsales also services targeted audiences through niche websites and operates in adjacent classifieds markets such as boats, motorcycles and general classifieds. In addition, the Company also provides automotive products and data services.

Figure 4.1: carsales' Business Operations



Relationships

In addition, carsales has alliance agreements in place with leading portals such as ninemsn (see sections 9.4 and 9.5 for further details) and Yahoo!7, which direct automotive classifieds traffic to the carsales network.

carsales maintains a strong and ongoing relationship with Pentana Solutions. This is both through the relationship agreement setting out the provision of data service by Pentana to carsales and through common long term ties to the automotive industry. The creation of the carsales business was from the owners of Pentana Solutions in 1996 and carsales' chairman, Walter Pisciotta, is also the chairman of Pentana Solutions, carsales CEO Greg Roebuck is a Pentana Solutions board member and Pentana Solutions CEO, Steven Kloss, is an alternate director for carsales. See sections 9.4 and 9.5 for further details.

4. CARSALES' BUSINESS

4.2.1 Automotive Advertising

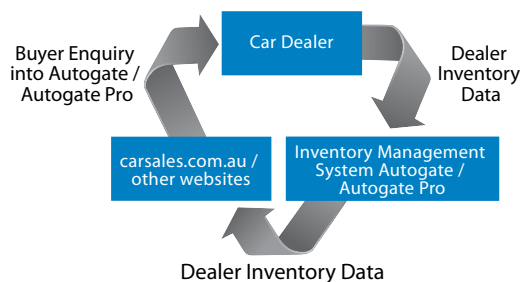
carsales.com.au is an online, searchable automotive classifieds platform that allows listings to be placed for new and used vehicles from both automotive dealers and private sellers. carsales has also incorporated additional services within the site, including editorial content, extensive searching and alert services, detailed vehicle specifications and other automotive related information such as valuations.

A key factor in the success of carsales.com.au has been the strength of its relationship with automotive dealers throughout Australia. Leveraging originally off the industry connections and business relationships of Pentana Solutions, carsales now holds a direct relationship with dealers through the provision of value adding services that increase the dealers' sales efficiency. carsales has developed a sophisticated buyer enquiry management tool called Autogate which it provides to dealers as part of its service offering.

Autogate is an inventory and lead management system that allows dealers to manage their inventory – including comments, options, images, price – as well as enquiries on that inventory made through the carsales network of websites. Autogate is also used to publish a dealer's inventory onto manufacturer websites and in turn, manage those enquiries generated as a result. Autogate Pro provides a premium service by, amongst other features, allowing enquiries from third parties such as competitor websites, to be managed by the one simple system.

Figure 4.2 below depicts how Autogate interacts with dealers' inventory management systems.

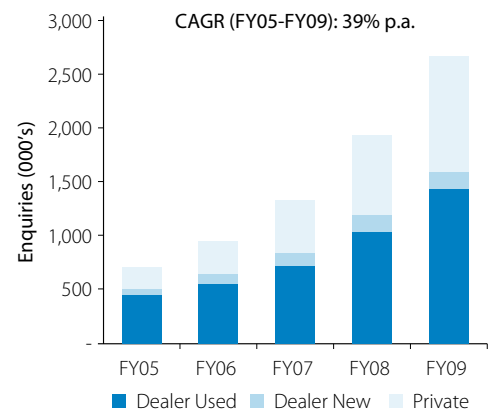
Figure 4.2: Car Dealer Inventory and Sales Data Flows



The success of carsales.com.au is highlighted by the continued growth in sales enquiries generated from carsales' automotive websites, notwithstanding a decrease in total inventory between FY08 and FY09.

As shown in Figure 4.3 below, total sales enquiries generated from carsales' automotive websites has continued to increase, growing at an annual compound growth rate of 39% per annum since 2005.

Figure 4.3: carsales Automotive Sales Enquiries Delivered



Source: carsales

Notes:

1. Includes sales enquiries on cars held in stock and those not in inventory (e.g. discountnewcars.com.au enquiries)
2. Adjustments have been made to pro forma historical sales enquiries to include Discount Vehicles Australia which was acquired in FY07

In carsales' opinion, the continued increase in sales enquiries reflects increased activity in the used car market and the increasing willingness of car customers to use online classifieds to research and enquire about prospective purchases. A number of improvements have recently been made to the carsales platform, including enhanced search capability and increased capacity for rich content (e.g. more photos) which have improved the site's functionality and improved the overall user experience.

Revenue Model

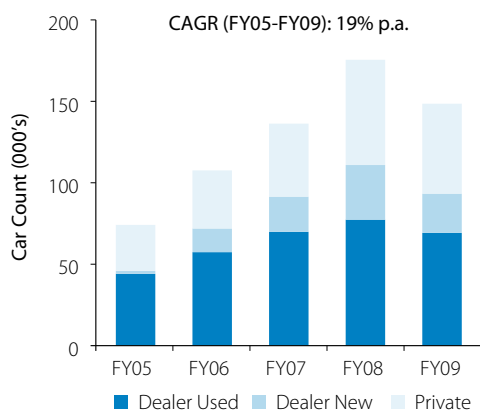
The number of sales enquiries delivered is at the core of revenue generation in the fee per lead component of the carsales revenue model. carsales implements this fee per lead model for car dealers that list on its automotive sites. Dealers are charged a monthly subscription fee to list their inventory and an additional fee for each lead generated. The buyer's interest or prospect (a "lead") is sold to the car dealer for a fee with the information being sent to the dealer for follow-up. carsales believes that its fee per lead model drives increased accountability and encourages dealers to list their

entire inventory online, accelerating the virtuous cycle (see Figure 4.6) and reinforcing carsales' market leadership. The majority of carsales' revenue is generated under monthly agreements with dealers.

carsales also allows private car vendors to list their cars on the carsales website for a fixed fee, (currently \$50 per listing) which applies for the life of the advertisement until the vehicle is sold or the advertisement is removed. Vendors are also able to edit their advertisement at any time at no additional cost. A premium service is also offered to private vendors (currently \$80 per listing) whereby the advertisement is given prominence on the site via highlights and preferential listing in relevant searches.

The total number of cars listed on carsales.com.au has grown from around 75,000 in June 2005 to approximately 150,000 in June 2009 at a compound annual growth of 19% per annum.

Figure 4.4: carsales Automotive Car Count (as at June)



Source: carsales

The decrease in total inventory between FY08 and FY09 has been driven by a drop in new car listings, which in turn, reflects what carsales understands to be lower levels of inventory generally held by car dealers during the recent economic downturn.

Corporate Display

carsales also seeks to leverage the high level of user traffic that is generated by the site by offering corporate advertisers display advertising space on its websites. This is a significant and growing part of the Company's revenue base. Advertisers are typically automotive industry participants, finance or insurance companies. The Company sources

advertisers from specialised online advertising agencies and more recently established an in-house corporate advertising capability, called Mediamotive. Mediamotive is a business which works closely with market participants and the carsales businesses to develop and market display advertising products.

Niche Websites

Given the success of carsales.com.au, carsales also operates a series of niche websites within the automotive sector, such as [uniquencarsales.com.au](#), [discountnewcars.com.au](#), [discountusedcars.com.au](#), [prestigenewcars.com.au](#) and [greencarsales.com.au](#). From carsales' perspective, these niche websites provide additional revenue streams from both classified and corporate advertisers as a result of targeting specific audiences.

In May 2007, carsales extended its presence and capabilities in the new cars sales market through the acquisition of Discount Vehicles Australia. Discount Vehicles Australia was formed in 1999 with that company's flagship website [discountnewcars.com.au](#) launched in January 2000. The site, along with its 'sister site' [prestigenewcars.com.au](#), displays the make, model, options, technical specifications, on road costs, pricing and graphical displays of virtually all new cars in Australia.

4.2.2 Other Market Segments

carsales has leveraged the successful business model of carsales.com.au to build a complementary brand network that extends to a range of other industries. Outside of the car market, carsales now operates industry leading classifieds websites for marine and motorcycles.

[bikesales.com.au](#) was launched in May 2003 and is now the number one motorcycle classified website in Australia.

[boatsales.com.au](#) was launched in March 2008, complementing the Company's [BoatPoint.com.au](#) website – Australia's number one marine classified website. These websites provide a comprehensive marketplace for the buyers and sellers of all forms of boats and marine equipment and accessories.

[quicksales.com.au](#) was launched in May 2004 as a 'one stop shop' which lists all of the Company's non-vertical inventory on one website (i.e. not cars, bikes or boats).

4. CARSALES' BUSINESS

carsales' also has a range of specialised industry websites such as TruckHub.com.au, FarmHub.com.au, ConstructionHub.com.au and RVPoint.com.au. These websites attract both private and commercial clients with specialised interests.

4.2.3 Dealer and Data Services

Datamotive is a business which licences carsales' lead management software and provides a range of additional services to dealers and industry participants. These services include website development, hosting and maintenance services, support and training for dealers and additional niche services such as specialised photography. Customers of Datamotive include automotive brands and associated businesses such as BMW, Chrysler, Jeep, Dodge, FPV, Holden, HSV, Hummer, Mercedes Benz, Mini, Mitsubishi, Saab, Subaru, VW, RAC (W.A.), RACV and other independent websites.

Equipment Research Group (ERG) is a market intelligence company that provides industry reports containing data from ten industry sectors across Australia and Singapore. By conducting strategic analysis, market research, and surveys to produce the reports, ERG is able to provide strategic analysis and value-added reporting to various industries. Some of the major sectors covered include construction, trucks, earthmoving and mining equipment, and diesel engines. Reports are produced on a monthly, quarterly, bi-annual or annual basis. ERG can also provide customised reports and industry studies for clients on request.

The Red Book (Automotive Data Services) is a provider of vehicle identification, specification and pricing information in Australia and Asia, and has been researching the motor market for over 60 years. carsales and other automotive classifieds websites utilise data from The Red Book to provide an enhanced service offering. The Red Book was acquired by carsales in September 2007 and is a highly complementary business to carsales' existing ERG and classifieds businesses.

carsales has utilised data from The Red Book in its automotive classified websites since inception. Basic Red Book pricing data is freely available to consumers with tailored information charged on a fee basis. A prospective car buyer is able to compare vehicles and obtain an indicative trade-in price on The Red Book website and then easily link into the carsales inventory to find a vehicle for sale through a dealer or a private seller.

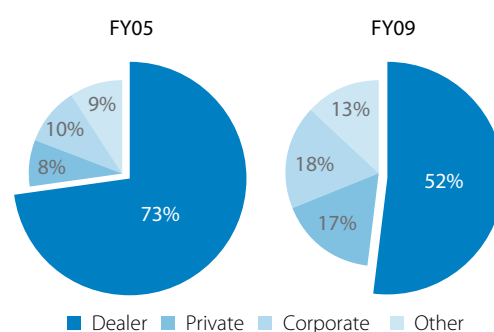
The Red Book has established extensive vehicle identification and sales databases for Australia, New Zealand, Malaysia, Singapore, Thailand, UAE and China, and currently has six offices throughout the Asia Pacific region.

4.2.4 Revenue by Segment

The breakdown of carsales' total revenue for FY09 amongst dealers, private vendors, corporate advertisers and other (dealer and data services) is shown in Figure 4.5 below.

In FY09, dealers accounted for 52% of total revenue, private vendors 17%, corporate 18% and other dealer and data services 13%. This breakdown has changed significantly since 2005 as carsales has diversified and grown its revenue base in the private classifieds and corporate display advertising segments.

Figure 4.5: carsales' Revenue by Segment



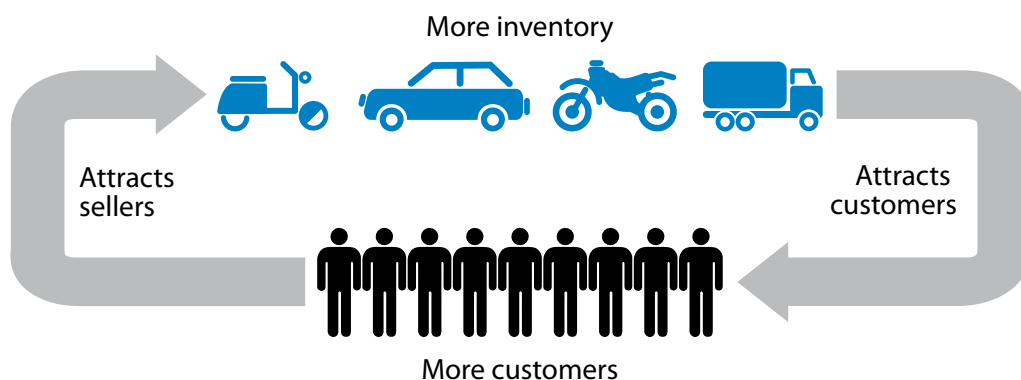
Source: carsales

4.3 MARKET POSITION AND COMPETITIVE STRENGTHS

carsales has demonstrated consistently strong growth since its inception. It is now the number one online publisher (by user sessions, page impressions and total time on site) in Australia for motor vehicles, motorcycles, and marine, and either the number one or a highly ranked publisher of other industry and niche classifieds websites.

In carsales' view, automotive buyers are likely to use carsales when searching for a car because it lists the widest range of car classifieds and sellers of cars are more likely to advertise on carsales' automotive websites because it attracts more car buyers. This generally creates a "virtuous cycle" which reinforces carsales' market leadership position and acts as a barrier to entry for new competitors.

Figure 4.6 : The Virtuous Cycle



The increased access of Australian households to the Internet has contributed greatly to carsales' growth. In carsales' experience, growth has also been achieved through increased use of the Internet by car dealers and other motor industry participants, and their increasing acceptance of the benefits of e-commerce and of advertising online.

While carsales has benefited from this strong underlying industry growth, the Company's success has also been driven by increasing market share. The Company believes that its competitive advantage in automotive classifieds can be attributed to the following factors, which it is attempting to duplicate across other market segments.

Clear Market Leading Position

- holding the number one position by the key metrics of traffic and revenue; and
- the success of the fee per lead model which carsales believes drives increased accountability and encourages dealers to list their entire inventory online, accelerating the virtuous cycle and reinforcing carsales' market leadership.

Strong Industry Relationships

- long term relationships with motor vehicle dealers, partnerships with motoring clubs and manufacturers/importers of motor vehicles; and
- a heritage derived from the automotive software industry rather than the print classified advertising or other media sectors, thus providing a more specialised understanding of the business and future opportunities.

Proven Capability

- a strong senior management team led by Greg Roebuck, the original architect of carsales;
- its relationship with Pentana Solutions whereby carsales is supplied with extensive live dealer vehicle inventory data;
- a broad national coverage, not limited to any individual city or state;
- a range of relationship agreements with other websites, manufacturers and automotive bodies to distribute carsales' content;
- the development of sophisticated buyer enquiry management tools for dealers such as Autogate and Autogate Pro which promote the use and retention of carsales' products and services;
- its data assets such as The Red Book which support vehicle valuations and specifications; and
- other service offerings throughout the dealership value chain, such as photographic services, website hosting, research and pricing.

4. CARSALES' BUSINESS

4.4 GROWTH STRATEGY

carsales has a long track record of delivering strong growth and has built a market leading position. The long term business strategy is to continue to protect and grow the core business, while extending and enhancing carsales' capability within aligned channels, markets and geographies. For specific assumptions and risks in relation to the Forecast, please refer to sections 6 and 7.

Volume Growth

As the owner of the leading online classifieds websites in Australia for cars, marine and bikes, carsales expects to take advantage of the ongoing migration of classified advertising spend from print media to online. carsales expects that online operators will continue to win classified advertising market share from print media with future cyclical growth in the sector also captured predominantly by online participants.

carsales believes that its successful fee per lead model has assisted in the migration of print to online in the automotive classifieds industry by encouraging dealers to list all their inventory on the Company's websites.

Growing Yield

It is expected that advertising yields will improve as carsales' strong brand and market leading position continues to attract more car buyers. carsales also expects the relative functionality advantages of advertising online compared to the print media to underpin yield increases over time.

New Products

carsales continues to develop new products which are attractive to both car buyers, sellers and advertisers. These include developing further niche websites to take advantage of industry trends, providing car buyers with access to greater inventory by combining inventory across carsales' various sites, improving searching and matching technologies, enhanced car listings and dealer specials, and developing enhanced advertising delivery capability (e.g. mobile, video).

New Channels

carsales continues to expand its online classifieds products onto new technology platforms as they become commercially viable. Most recently, carsales.mobi was launched which provides mobile users with a differentiated user experience to the Internet site.

Dealer and Data Services

carsales sees significant potential to leverage off the extensive vehicle data and pricing information collected through its network of websites. The monetisation of this data along with the integration and expansion of The Red Book business provides numerous growth opportunities.

In addition, carsales continues to develop the functionality of its Autogate and Autogate Pro products making them an essential sales and lead management system for car dealers. As the online sector continues to benefit from the structural changes in the industry and as carsales increases its dealer penetration, carsales' focus on software tools to improve dealer's effectiveness is expected to drive revenue growth.

Organic Growth in International Operations

The Red Book has established operations and knowledge in the Asian markets of China, Singapore, Malaysia and Thailand. carsales intends to leverage off this existing footprint by selectively targeting these markets to introduce other product offerings to the region over time. carsales also intends to explore opportunities for non-organic growth in offshore markets as they arise.

5. BOARD AND MANAGEMENT



5. BOARD AND MANAGEMENT

5.1 BOARD OF DIRECTORS



Walter Pisciotta
Non-executive Chairman

Walter has more than 35 years experience in supplying computer services to the automotive industry and is also the Chairman of Pentana Solutions. Walter holds a Bachelor of Science Degree in Business Administration from the University of Alabama (United States) and has been the Chairman of carsales.com Limited since its inception.



Patrick O'Sullivan
Non-executive Director

Pat is the Chief Financial Officer of PBL Media and prior to that was the Chief Financial Officer of Optus. He is a member of the Institute of Chartered Accountants in Ireland and Institute of Chartered Accountants in Australia and is a graduate of the Harvard Business School's Advanced Management Program.



Greg Roebuck
Managing Director and Chief Executive Officer

Greg has more than 25 years experience in providing technology solutions to the Australian automotive industry. Greg studied computer science at RMIT (Melbourne) and was the original architect of carsales and has been on its Board since its inception and Managing Director and Chief Executive Officer since 2002. He is a Fellow of the Australian Institute of Company Directors.



Ian Law
Non-executive Director

Ian is the Chief Executive Officer of PBL Media and prior to that was Chief Executive Officer of Australian Consolidated Press, and prior to that Managing Director and Chief Executive Officer of West Australian Newspaper Holdings Limited. He has been involved in various senior roles in the media for more than 25 years. Ian is a member of the Australian Institute of Company Directors.



Richard Collins
Non-executive Director

Richard has been a Director of carsales.com Limited since 2000. He spent 10 years with the Ford Motor Company and has over 25 years experience as a Dealer Principal, currently holding Ford, Toyota and Subaru franchises. Richard has a Degree in Commerce from Melbourne University.



Adrian MacKenzie
Non-executive Director

Adrian is a Managing Partner of CVC Capital Partners and has responsibility for Australia and New Zealand. Adrian joined CVC in 1995 and holds a Degree in Technology and Business Studies from the University of Strathclyde (Scotland).



Jeffrey Browne
Non-executive Director

Jeffrey is the Managing Director of GTV 9 in Melbourne and is a Non Executive Director of Holden Special Vehicles. Jeffrey is a former commercial lawyer, with extensive experience in the automotive industry. Jeffrey has a Degree in Arts from La Trobe University (Melbourne) and Law from Monash University (Melbourne).

5.2 KEY MANAGEMENT



Cameron McIntyre
Chief Financial Officer
& Company Secretary

Cameron is the former Finance Director of Sensis and has over 16 years experience in finance and administration. Cameron holds a Degree in Economics from La Trobe University (Melbourne), he is a Certified Practising Accountant, an Associate Fellow of the Australian Institute of Management and a graduate of the Harvard Business School's General Management Program.



Shane Pettiona
Chief Operating Officer

Shane is the founder and former Managing Director of Discount Vehicles Australia and has more than 16 years experience in the advertising industry in various director positions. Shane has built more than 600 websites for both national and international companies and more than 70 for the automotive industry in Australia.



Ajay Bhatia
Chief Information Officer

Ajay is the former Product & Technology Director of Drive.com.au. During his 5 year tenure at Fairfax Digital, Ajay held several technical and commercial leadership positions. He has over 14 years of experience in Technology. Ajay holds a Bachelors degree in Engineering from University of Technology, Sydney and a Masters in Engineering Management from the same University.



Grant Taylor
General Manager
Non Automotive

Grant is a former interim Managing Director of carsales.com Limited. He has more than 25 years experience in the retail automotive industry, providing software technology solutions and automotive business management expertise. Grant has a Bachelor of Business Degree (Information Technology) from Swinburne University (Melbourne) and is contracted to carsales from Pentana Solutions.



Damian Hardy
General Manager,
Datamotive

Damian has been with the Company for almost 7 years and has over 17 years experience in the automotive industry, particularly in the field of automotive finance. Damian holds a Degree in Business, majoring in Banking and Finance from Monash University (Melbourne).



Anthony Saines
Advertising Director

Anthony has an MBA in Strategic Marketing (University of Hull, UK) and has held a number of senior roles in the online advertising industry since moving to Australia in 1998. Most recently, Anthony was General Manager of Sensis Digital Marketing Services (with P&L responsibility for MediaSmart, one of Australia's largest online advertising networks) and sat on the board of Adstream Pty Ltd.

5. BOARD AND MANAGEMENT

5.3 CORPORATE GOVERNANCE

carsales' Board recognises the importance of good corporate governance and establishing the accountability of the Board and management. carsales is committed to best practice in the area of corporate governance and intends to establish a governance framework to be consistent with the ASX Corporate Governance Principles and Recommendations, subject to a number of exceptions which are set out below. Included among these are:

- majority of an ASX-listed company's Board should comprise independent directors;
- the Chairman should be an independent director;
- the audit committee of an ASX-listed company should only consist of Non-Executive Directors, with the committee comprising a majority of independent Directors and should be chaired by an independent chair who is not chair of the board; and
- the remuneration committee of an ASX-listed company should consist of a majority of independent Directors and should be chaired by an independent director.

The corporate governance policies and practices adopted by carsales are summarised below and are centred on the Board, Board committees and the principles that govern their interaction with, and oversight of, management.

The Board is made up of six Non-executive Directors, one independent Non-executive Director (Richard Collins) and the Managing Director (Greg Roebuck). Details of the Directors and their qualifications are set out in Section 5.1.

Each member of the Board must bring an independent view and judgement to the Board and must declare actual and potential conflicts of interest.

The Board has carefully considered the appropriate size of the Board for carsales and believes that, for a company of the size and nature of carsales, it should be small enough to be coherent but large enough to bring a depth of experience and a diversity of talents. Each of the Directors is a senior and experienced executive with skills and experience necessary for the proper supervision and leadership of carsales. As a team, the Board brings together a broad range of

qualifications, in both the international and Australian markets, with considerable experience and expertise.

carsales believes that the Board, as currently composed, has the necessary skills and motivation to ensure that carsales continues to perform strongly, notwithstanding that its overall composition does not meet ASX guidelines on independence.

Although the Chairman, Walter Pisciotta, is not an Independent Director for the purposes of ASX's guidelines (given his material shareholding), the Board believes that Walter's experience and expertise including, in particular, his experience in the automotive industry, ensures that he will be an effective Chairman of carsales.

Board of Directors and its Committees

The Board is responsible for the overall corporate governance of carsales including establishing and monitoring key performance goals. The Board has created a framework for managing carsales which includes internal controls, a business risk management process and appropriate ethical standards. Board committees and individual Directors may seek independent professional advice at carsales' expense for the purposes of the proper performance of their duties.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Non-executive Directors, Chairman, Chief Executive Officer and senior employees and ensure that remuneration policies and practices are consistent with carsales' strategic goals and human resource objectives. The membership of the Remuneration Committee is currently Walter Pisciotta, Ian Law, Richard Collins and Greg Roebuck.

Audit Committee

The role of the Audit Committee is to advise on internal controls and appropriate ethical standards for the management of carsales. The Audit Committee will also confirm the quality and reliability of the financial information prepared, working on behalf of the Board with external auditors. The Audit Committee will review non-audit services provided by external auditors to confirm they are consistent with maintaining external audit independence.

The Audit Committee will provide advice to the Board and report on the status of the business risks to carsales through its risk management process, which is aimed at ensuring risks are identified, assessed and appropriately managed. The membership of the Audit Committee is currently Patrick O'Sullivan, Jeffrey Browne and Richard Collins.

Corporate Governance Policies

The Board has adopted the following corporate governance policies which will become effective upon Listing.

Continuous Disclosure Policy

carsales places a high priority on communication with Shareholders and is aware of the obligations it will have, once listed, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of carsales' Shares. All relevant information provided to ASX will be immediately posted onto carsales' corporate website, <http://shareholders.carsales.com.au>, in compliance with the continuous disclosure requirements of the Corporations Act, and the Listing Rules.

carsales has adopted a policy which establishes procedures to ensure that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

Share Trading Guidelines

carsales has adopted guidelines for dealing in Shares which are intended to explain the prohibited types of conduct in relation to dealings in Shares under the Corporations Act, and establish a best practice procedure in relation to dealings in carsales' Shares by its Officers and their associates.

Subject to the overriding restriction that persons may not deal in carsales' Shares while they are in possession of material price-sensitive information, Officers and their associates will only be permitted to deal in carsales' Shares with the prior written approval of the Company Secretary, who must consult with the Managing Director and the Chairman, prior to approving a trade, and no trade may occur during the following periods:

- within the six week period prior to the release of carsales' half yearly results to ASX;

- within the six week period prior to the release of carsales' year end results to ASX; and
- within the two week period prior to carsales' Annual General Meeting.

Ethical Standards

carsales has a code of conduct documented in an employee handbook. This sets out the standards as to how each employee of carsales is expected to act in their capacity as an employee of carsales.

Communication to Shareholders

The Board of Directors will aim to ensure that Shareholders are fully informed of all major developments affecting carsales' state of affairs. Information will be communicated to Shareholders through the annual report, annual general meeting, half-yearly results announcements and corporate website, <http://shareholders.carsales.com.au>, which will have a dedicated investor relations section.

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6. RISK FACTORS



6. RISK FACTORS

6.1 GENERAL COMMENTS

A number of factors, both specific to carsales and of a general nature, may affect the future operating and financial performance of carsales and the outcome of an investment in carsales. There can be no guarantee that carsales will achieve its stated objectives, that its Forecast will be met, or that forward looking statements will be realised. The ability to achieve the Forecast is dependent upon various company-specific factors, as well as general factors, which are described in Section 6.2 and 6.3.

Potential investors should read the entire Prospectus before deciding whether to invest in carsales, and, in particular, should consider the assumptions underlying the prospective financial information in Section 7 and the risk factors that could affect the financial performance of carsales.

This Section describes certain risks associated with an investment in carsales. Each of the risks included below could potentially have a material adverse impact on carsales' operating and financial performance, and its ability to pay dividends. Prospective investors should specifically consider the risk factors contained within this Section and the other information contained in this Prospectus in light of their own personal circumstances and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in carsales.

6.2 SPECIFIC RISK FACTORS

The business activities of carsales are subject to a number of risks that could affect carsales and the industry in which it operates. These factors may substantially impact on its future financial or operating performance. In addition to the general risks set out in Section 6.3 the Directors believe that there are a number of specific factors that should be taken into account before investors make their investment decision. These are as follows:

6.2.1 Maintenance of Professional Reputation and Brand Name

The success of carsales is heavily reliant on its reputation and branding. Unforeseen issues or events, which place carsales' reputation at risk, may impact on its future growth and profitability. Many of carsales' customers are currently obtained

from referrals by existing customers. Any factors that diminish carsales' reputation or that of any of its personnel could impede its ability to compete successfully and result in adverse effects on its future business plans.

6.2.2 Relationship with Dealers

carsales derives a significant proportion of its revenue from motor vehicle dealers. A change in the size and/or structure of that market could impact carsales' earnings. In particular, consolidation of the market resulting in larger dealers or increased manufacturer control of dealer's online advertising activity may impact upon the prospects of carsales.

In addition, the majority of carsales' revenue is generated under monthly agreements with dealers. Most of these agreements can be cancelled by the relevant dealer with limited notice. There can be no guarantee that one or more major dealers will not terminate their contracts on short notice. Should a significant number of dealers cancel or fail to renew their agreements this may have an adverse effect on the financial performance of carsales.

Factors that reduce the willingness of dealers to use carsales' websites are a key risk to the Company's prospects. Dealers may choose to establish their own online sales site, rather than utilising carsales to sell their motor vehicles online.

6.2.3 Competition

The online automotive advertising industry is highly competitive. carsales' performance could be adversely affected if existing or new competitors reduce carsales' market share from its current level through aggressive price competition, the consolidation of smaller businesses or other means. carsales' competitors range from licensed motor vehicle dealers who operate websites to online classified websites offering a range of motor vehicles for sale.

In addition, over the past few years there has been a trend of large search engines expanding from their traditional business and moving into the classified advertising space. A continuation of this trend has the potential to impact carsales' market share and therefore, its financial position.

6.2.4 Downturn in the Motor Vehicle or General Advertising Market

The performance of carsales will continue to be influenced by the overall condition of the motor vehicle market. The motor vehicle market is influenced by the general condition of the Australian economy, which by its nature is cyclical and subject to change. A reduction in the level of economic activity may reduce the total level of turnover in the motor vehicle industry and in turn may impact on carsales' revenues.

In addition, carsales derives a significant proportion of its revenue from display advertisers on its network of websites. A continued decline in the advertising market as a result of broader economic influences could have a negative impact on carsales' earnings.

6.2.5 Internet Penetration and Rate of Migration to Online

Internet penetration in the Australian market has been growing at a steady rate, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of carsales.

In addition, growth in online advertising is underpinned by a range of factors including migration from more traditional forms of media. Migration has been driven by a number of factors affecting both buyers and sellers including increased Internet penetration and broadband speeds. Whilst the migration online has occurred over recent years there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of carsales.

6.2.6 Information Technology

carsales management information and other IT systems are designed to enhance the efficiency of its operations with a focus upon the customer facing websites. carsales' business relies upon IT infrastructure housed in two primary locations in Adelaide and Melbourne. Any interruptions to one or more of these operations could impair the ability for carsales to continue normal transaction processing.

Standard backup and restoration procedures are in place, however, a natural disaster or other unforeseen event that results in a loss of access to the carsales website, the loss or corruption of data or the inability of process transactions could have a negative impact on carsales' performance.

carsales' future performance will also depend on its ability to monitor and manage major projects such as website upgrades and other projects involving its IT infrastructure.

6.2.7 Relationship with Car Manufacturers

A portion of carsales revenue is generated through corporate display under agreements between carsales and various car manufacturers and importers. Under the agreements, carsales is to develop, host and maintain services including but not limited to, used car websites to certain specifications for each of the various manufacturers and importers. Upon expiry of the initial term of these agreements, they convert into rolling 12-month agreements, terminable at 90 days notice. There is a risk that these agreements will not be renewed upon expiry, which may adversely affect the financial performance of carsales.

6.2.8 Pentana Solutions Relationship

carsales utilises specified dealer data supplied by Pentana Solutions in the operation of the carsales website, and has an ongoing relationship with Pentana Solutions. Failure to maintain this relationship in the future could lead to opportunities for competitors to gain a competitive advantage and adversely impact on carsales' continuing performance. carsales has entered into a commercial agreement with Pentana Solutions, which provides for the exclusive supply by Pentana Solutions to carsales of data services, and this agreement is due to expire in March 2010. A binding heads of agreement has been signed between carsales and Pentana Solutions that extends the period of the existing agreement for an additional 5 years and also amends the commercial terms of the existing agreement to be slightly more favourable to carsales.

6.2.9 ninemsn

carsales has entered into an agreement with ninemsn whereby ninemsn provides an integrated and co-branded version of the carsales website. The agreement also provides that carsales is to be the exclusive car, boat and bike publisher on the ninemsn network. Also, ninemsn must not integrate any of carsales' competitors onto the ninemsn network. Failure to maintain this relationship could adversely impact on carsales continuing performance, and could lead to opportunities for competitors to gain a competitive advantage. This agreement is due to expire in October 2010.

6. RISK FACTORS

6.2.10 Reliance on Key Personnel

carsales has a number of key senior personnel. Although each senior management staff member has employment arrangements with carsales and owns Shares or options which assists in aligning management's interest with those of Shareholders, there can be no assurance that carsales will be able to retain these key personnel.

6.2.11 Concentration of Shareholding

Following Completion of the Offer, ACP Magazines will hold approximately 49.2% of the Shares and, accordingly, may be in a position to exert significant influence over the outcome of matters relating to carsales, including the election of Directors and the approval of transactions. The interests of ACP Magazines may be different from the interests of investors who purchase Shares in the Offer.

In addition, ACP Magazines is not subject to escrow and therefore Shares held by ACP Magazines will be able to be freely traded on ASX. A significant sale of Shares by ACP Magazines, or the perception that such sales have occurred or might occur, could adversely affect the price of carsales' Shares. Alternatively, the absence of any sale of Shares by ACP Magazines may cause or at least contribute to a diminution in the liquidity of the market for the Shares.

6.2.12 Reliance on Dealers to Respond to Leads

Once a lead is submitted to a dealer through carsales, it is the dealer's responsibility to respond to the lead. Although carsales conducts dealer education and training and provides lead management services, there is a risk that dealers may not appropriately respond to leads. This may have a negative impact on the consumer's perception of carsales, which in turn may have an impact on carsales financial performance.

6.2.13 Security

As with all e-commerce businesses, carsales is heavily reliant on the security of its websites and associated payment systems to ensure that customers are confident in transacting online. Breaches of security such as fraudulent and scam advertisements could impact customer satisfaction and confidence in the Company and could impact the financial performance of carsales and/or its Share price.

6.2.14 Intellectual Property and Proprietary Rights

carsales has invested significantly in the development of its information technology platform, and uses certain copyright material and trade marks (either registered or unregistered or owned or under licence) in its business. The laws relating to trade secrets, copyright and trademarks assist to protect its proprietary rights.

Despite these measures, there can be no guarantee that unauthorised use or copying of carsales software, data or branding will be prevented. In addition, carsales cannot be certain that the validity, ownership or authorised use of intellectual property relevant to the business of carsales will not be successfully challenged by third parties.

6.2.15 Threat of New Technology

carsales' financial performance or operating margins could be adversely affected if the popularity of the Internet as a medium for buying and selling motor vehicles were to diminish due to the emergence of new technology. carsales continues to actively monitor the emergence of new technology.

6.2.16 Growth Strategy Execution

carsales may not be able to effectively execute the growth strategies outlined above at Section 4.4. Particularly, planned growth through international expansion may not perform as intended. International expansion also carries governance risk beyond the control of carsales that may impede its ability to establish a presence in international markets.

Additionally, carsales growth profile and business plan includes the development of new products to grow its portfolio of classified and specialised websites. There is a risk that these new products may be unsuccessful or require high levels of advertising spend which may have an adverse effect on carsales' financial performance or operating margins.

6.2.17 Regulatory Framework

The advertising industry, and particularly the online sector, is relatively lightly regulated and does not have a licensing regime. Changes to this regulatory framework, however, could impact on the industry generally and have an adverse impact on the financial position or performance of carsales.

6.3 GENERAL RISK FACTORS

6.3.1 Share Market Conditions

The Shares may trade on ASX following listing at a price higher or lower than the Offer Price. There can be no guarantee that an active market in the Shares will develop. The price at which the Shares trade following listing will be affected by the financial performance of carsales and by external factors, including movements on international share markets, the level of interest rates and exchange rates, general domestic and international economic conditions and government policies relating to taxation and other matters.

6.3.2 General Economic Conditions and Outlook

As an operator in the motor vehicle sales sector, carsales is dependent on the general conditions and outlook of the Australian economy. The Australian economy may in turn be affected by levels of business spending, inflation, interest rates, exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. A prolonged and significant downturn in general economic conditions may have a material adverse impact upon carsales' trading and financial performance.

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7. FINANCIAL INFORMATION



7. FINANCIAL INFORMATION

7.1 carsales' FINANCIAL INFORMATION

This Section sets out certain historical financial information concerning carsales. It also includes forecast financial information for FY10 (Forecast).

The Forecast set out in this Section has been prepared with due care and attention and reflects the Directors' judgement of the likely FY10 results based upon current and anticipated operating and economic conditions and strategic plans to be undertaken.

By their nature, forecasts involve risk and uncertainty and depend upon future circumstances many of which are outside the control of the Company and the Directors (refer to risk factors in Section 6).

The historical and forecast financial information included in this Section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. An extract of the 30 June 2009 Annual Report, together with the 30 June 2009 Audited Financial Statements of the Company are included in the Appendix.

The historical and forecast financial information included in this Section has been prepared in accordance with the measurement and recognition principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by carsales as disclosed in Note 1 to the financial statements in carsales' 30 June 2009 Annual Report. These accounting policies are also included within the Appendix.

7.2 carsales' EARNINGS PROFILE

Table 7.1 - Consolidated Statement of Financial Performance of carsales

The summarised Consolidated Statement of Financial Performance for carsales for the years ended 30 June 2008 and 30 June 2009, and Forecast for the year ending 30 June 2010, are set out below:

Year ended 30 June (A\$ million)	Audited FY08	Audited FY09	Forecast FY10
Operating Revenue:			
Online Advertising	61.6	82.9	99.6
Data and Research	10.3	13.0	15.6
Total Operating Revenue	71.9	95.9	115.2
Operating expenses	(43.6)	(52.2)	(58.6)
EBITDA	28.3	43.7	56.6
Depreciation	(0.8)	(1.6)	(2.1)
Amortisation	0.0	(0.5)	(0.2)
EBIT	27.5	41.6	54.3
Net interest expense	(0.8)	(0.7)	(0.5)
PROFIT before income tax	26.7	40.9	53.8
Income tax expense	(8.0)	(10.2)	(16.7)
NET PROFIT AFTER TAX	18.7	30.7	37.1

The historical financial information for FY08 and FY09 as presented in the table above has been extracted from the 30 June 2009 Audited Financial Statements. The Appendix includes an extract of the Audited Financial Statements.

7.3 KEY SPECIFIC ASSUMPTIONS IN RELATION TO THE FORECAST INFORMATION

The key specific assumptions adopted in preparing the Forecast are summarised below. Growth expressed in percentage terms represents growth over FY09.

- Dealer enquiry volumes on new and used cars are forecast to grow by 19% driven by site effectiveness, market penetration and continued migration of dealers from print to online advertising.
- There is no material change in average price per dealer lead.
- Private classified advertising volumes on the carsales.com.au website are expected to grow by 10%, continuing the trend of adoption of carsales.com.au by private buyers and sellers of cars.
- The average yield for private advertisers on the carsales.com.au site to remain the same. However, there is a forecast 18% yield increase within the marine sites and 7% yield increase within the industry sites (eg. TruckHub.com.au, FarmHub.com.au, ConstructionHub.com.au) on private ad placements.
- Revenue from corporate display advertising is forecast to grow 18%.
- 1% of forecast revenue is expected to come from new product and capability initiatives that will be deployed during FY10.
- Growth in operating costs of 12% due primarily to growth in headcount.
- Total headcount is forecast to increase from 255 full time equivalent staff at 30 June 2009 to 315 full time equivalent staff by 30 June 2010.
- Advertising expenditure is forecast to be similar to FY09 in terms of overall spend. The company will continue to use its current spending mix amongst traditional (outdoor, magazine and television) and online (search engine marketing and utilising the existing automotive audience to drive traffic to non-automotive carsales sites) advertising channels.
- A general 'consumer price index' increase of 3% per annum on other expenses.
- Capex comprises expenditure on software, hardware and development costs associated with new product initiatives. Forecast capex spend for FY10 is \$2.1 million, which is consistent with the FY09 capex spend of \$2.1 million.
- Effective tax rate of 31%.

7.4 GENERAL ASSUMPTIONS IN RELATION TO THE FORECAST INFORMATION

The general assumptions adopted in preparing the Forecast are set out below.

- No significant changes in Australian Commonwealth or State legislation, tax legislation, regulatory requirements or government policy.
- No changes of a material nature to accounting policies, or to Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements including Urgent Issues Consensus Views and the Corporations Act.
- No material downturn, over the forecast period, in economic conditions and particularly in the automotive market.
- No material acquisitions or disposals.
- No significant changes to carsales' funding or capital structure other than as set out in, or contemplated by, this Prospectus.

7. FINANCIAL INFORMATION

7.5 SENSITIVITY ANALYSIS

The Forecast is based on certain economic and business assumptions about future events. A summary of the key best estimate assumptions underlying the Directors' Forecast is set out in Section 7.3.

The Forecast is sensitive to a number of key factors;

Table 7.2 - Sensitivity Analysis

FY10 Forecast Sensitivity	Movement	Impact on Forecast FY10 EBITDA A\$ million
Dealer Enquiry Volumes	+/-10%	+/-3.6
Private Advertising Automotive Volume	+/-10%	+/-1.6
Corporate Display Advertising Revenue	+/-10%	+/-1.8

Care should be taken in interpreting these sensitivities. In particular, the sensitivity analysis in Table 7.2 treats each movement in the variables in isolation, whereas, in the case of volumes and yield, movements may be interdependent.

In the event that one or more downside sensitivities were to occur, there are a number of actions which carsales could take to mitigate the impact on EBITDA. These have not been reflected in the sensitivities above.

7.6 COMPARISON OF FINANCIAL PERFORMANCE - FY09 AUDITED VERSUS FY08 AUDITED

Revenue growth of 33% in FY09 was driven by the following major factors:

- 44% increase in private advertising revenue across the carsales network as a result of rate increases in both standard and premium advertisements and increased uptake in higher yielding premium advertisements, resulting in a 38% increase in the average yield from automotive private advertising
- 32% increase in dealer enquiry volumes generated via carsales major automotive websites
- 20% growth in corporate display advertising revenue as a result of the continued growth in scale and focus within the organisation.

Growth in operating costs of 20% due primarily to growth in headcount and marketing costs.

EBITDA grew by 54% and EBITDA margin increased from 39% of revenue in FY08 to 46% of revenue in FY09, reflecting a substantially fixed and controllable cost base and economies of scale throughout the company's network of sites and product offerings.

7.7 SELECTED FINANCIAL MEASURES AND METRICS

Set out below is a selection of key financial performance measures:

Table 7.3 – Summary of Key Financial Performance Measures

Year ended 30 June (A\$ million)	Audited FY08	Audited FY09	Forecast FY10
Operating Revenue growth	56%	33%	20%
Online Advertising	50%	35%	20%
Data and Research	99%	26%	20%
Growth in operating expenses	50%	20%	12%
EBITDA	28.3	43.7	56.6
EBITDA growth	66%	54%	30%
EBITDA as a % of revenue	39%	46%	49%
Cash flows from operations after capital expenditure	17.6	30.6	38.6
Growth in cash flows from operations after capital expenditure	46%	74%	26%

7.8 SUMMARY OF CASH FLOWS

The summarised Cash Flow Statement for carsales for the years ended 30 June 2008 and 30 June 2009 and the Forecast for the year ending 30 June 2010 are summarised below:

Table 7.4 – Summary of Cash Flows

Year ended 30 June (A\$ million)	Audited FY08	Audited FY09	Forecast FY10
EBITDA	28.3	43.7	56.6
Non cash items included in EBITDA	1.1	0.3	0.5
Payment of tax	(10.0)	(10.3)	(14.3)
Movements in working capital	2.7	(0.6)	(1.6)
Net interest Paid	(0.8)	(0.4)	(0.5)
Capital expenditure	(3.7)	(2.1)	(2.1)
Cash flow from operations after capital expenditure	17.6	30.6	38.6

The historical financial information for FY08 and FY09 as presented in the table above has been extracted from the 30 June 2009 Audited Financial Statements. The Appendix includes an extract of the Audited Financial Statements.

7.9 COMMENTARY ON MAJOR CASH FLOW MOVEMENTS

Comparison of cash flows - FY09 audited versus FY08 audited

Cashflow from operations after capital expenditure increased by \$13.0 million. The increase was a reflection of increased EBITDA, marginally offset by a slightly negative movement in working capital which was largely the result of clearing outstanding payments at 30 June 2009 and a reduction in capital expenditure.

Capital expenditure reduced in FY09 largely as a result of the cost of relocating carsales' operations to Hawthorn and associated building fit out expenditure falling in FY08.

Comparison of cash flows - FY10 forecast versus FY09 audited

Cash flows from operations after capital expenditure is forecast to increase by \$8.0 million reflecting:

- An increase in EBITDA of \$12.9 million.
- An increase of \$4.0 million in expected tax payments as a result of the finalisation of the FY09 tax return and FY10 tax instalments.

7. FINANCIAL INFORMATION

7.10 CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION

The consolidated Statement of Financial Position for carsales as at 30 June 2009 is set out below:

Table 7.5 – Consolidated Pro Forma Statement of Financial Position

A\$ million	Audited* 30 June 2009	Pro forma Adjustments	Pro forma 30 June 2009
Current assets			
Cash	15.7	0.0 ^(1,2)	15.7
Receivables	12.4		12.4
Total current assets	28.1	0.0	28.1
Non-current assets			
Property, plant and equipment	4.2		4.2
Intangible assets	77.8		77.8
Future Income Tax Benefit	1.1		1.1
Total non-current assets	83.1	0.0	83.1
Total assets	111.2	0.0	111.2
Current liabilities			
Payables	7.4		7.4
Current tax liability	3.8		3.8
Other	22.3		22.3
Total current liabilities	33.5		33.5
Non-current liabilities			
Provisions	1.0		1.0
Interest bearing liabilities	18.8		18.8
Total non-current liabilities	19.8		19.8
Total liabilities	53.3		53.3
Net assets	57.9	0.0	57.9
Total equity	57.9	0.0	57.9

* The Consolidated Statement of Financial Position as at 30 June 2009 as presented in the table above has been based on the Consolidated Statement of Financial Position at 30 June 2009 as set out in the Audited Financial Statements, adjusted to recognise a provision for a dividend of 7.8 cents per Share (\$18.1 million) declared for the second half of FY09 and to be paid on 25 August 2009 to Existing Shareholders.

Pro forma adjustments

The Consolidated Pro forma Statement of Financial Position adjusts the actual audited Statement of Financial Position as at 30 June 2009 (as shown in the Appendix) for the impact of the Offer as if carsales was listed at 30 June 2009. The adjustments made to the Pro Forma Statement of Financial Position reflect:

1. Issue of share capital – (as set out in Section 2.4) an estimated \$1.2 million of new funds is expected to be raised.
2. Costs associated with the offer - (as set out in Section 2.4), costs associated with the offer to be paid by carsales are estimated at \$1.2 million.

7.11 ESTIMATE OF NET DEBT AS AT 30 SEPTEMBER 2009

As set out in the Consolidated Pro Forma Statement of Financial Position above, a dividend of \$18.1 million will be paid on 25 August 2009. The payment of this dividend will be serviced through a combination of cash and debt facilities. The directors' have estimated net debt at 30 September 2009 as set out in table 7.6 below.

Table 7.6 – Historical and estimated net debt

A\$ million	Audited 30 June 2009	Estimated 30 September 2009
Cash	15.7	7.4
Interest bearing liabilities	(18.8)	(18.8)
Net debt	(3.1)	(11.4)

The increase in net debt between 30 June 2009 and the estimated net debt at 30 September 2009 reflects the payment of the dividend on 25 August 2009 of \$18.1 million and forecast cash flows for the 3 months to 30 September 2009. The directors have estimated cash flows in the 3 months to 30 September 2009 to be \$9.8 million, which includes a tax payment of \$3.1m paid in July 2009. The estimated net debt at 31 August 2009 is \$15.6 million.

7.12 COMMENTARY ON MAJOR ITEMS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

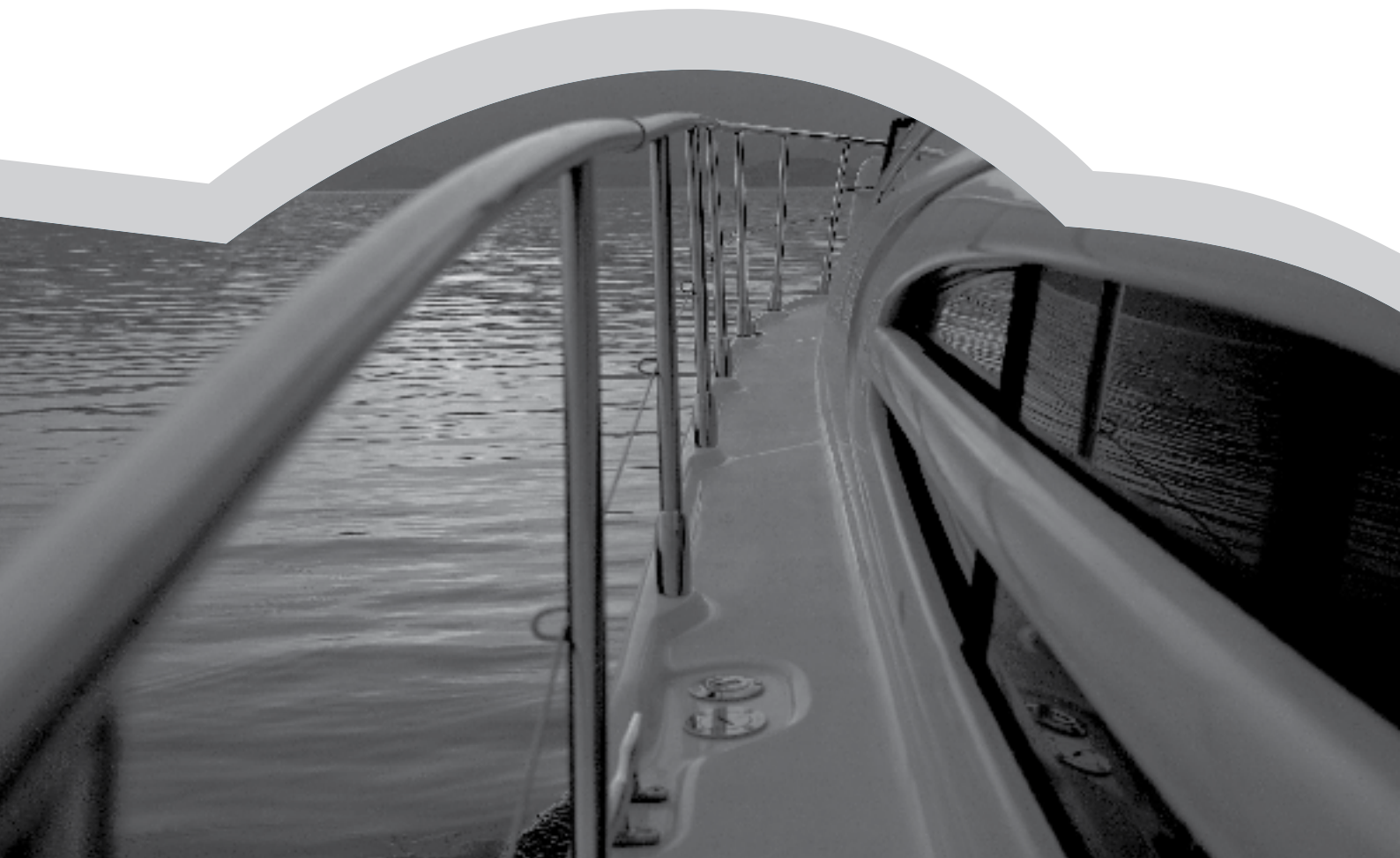
The key items included in the Statement of Financial Position at 30 June 2009 are:

- Trade receivables due on ordinary commercial terms.
- Intangible assets, including:
 - \$44.2 million goodwill arising on the acquisition of Trader Online Assets in November 2005.
 - \$21.0 million goodwill arising on the acquisition of Discount Vehicles Australia in May 2007.
 - \$11.2 million goodwill arising on the acquisition of Automotive Data Services in September 2007.
- Payables include ordinary trade payables, expense accruals and GST.
- Other current liabilities include unearned income relating to invoicing of customers in advance for advertising and annual leave provisions. As noted in the footnote to Table 7.5, the Consolidated Statement of Financial Position as at 30 June 2009 as presented has been adjusted to recognise a provision for a dividend of 7.8 cents per Share (\$18.1 million) declared for the second half of FY09 and to be paid on 25 August 2009 to Existing Shareholders.
- The current tax liability consists of tax payable with respect to the final payment due on FY09 income.
- Interest bearing liabilities consist of a cash advance facility held with a termination date of January 2012.

7. FINANCIAL INFORMATION

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8. INVESTIGATING ACCOUNTANT'S REPORT



8. INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE



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17 August 2009

Subject: Investigating Accountant's Report on Historical and Forecast Financial Information and Financial Services Guide

Dear Directors

We have prepared this Investigating Accountant's Report ("Report") on certain historical and forecast financial information of carsales.com Ltd (the Company) for inclusion in a Prospectus dated on or about 17 August 2009 (the Prospectus) relating to the offer of up to approximately 71.1m ordinary shares in the Company (the Offer).

Expressions defined in the Prospectus have the same meaning in this Report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cwlth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare this Report, which covers the following information:

- (a) the historical financial performance of the Company for the full year periods ended 30 June 2008 and 30 June 2009 as set out in Table 7.1;
- (b) the historical statement of financial position of the Company as at 30 June 2009 as set out in Table 7.5;
- (c) the historical summary of cash flows for the Company for the full year periods ended 30 June 2008 and 30 June 2009 as set out in Table 7.4; and
- (d) the pro forma statement of financial position of the Company as at 30 June 2009 as set out in Table 7.5, which assumes completion of the

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- contemplated transactions disclosed in Section 7.10 of the Prospectus (the pro forma transactions).
 (collectively, the "Historical Financial Information");
- (e) forecast financial performance of the Company for the year ending 30 June 2010 as set out in Table 7.1; and
 - (f) the forecast summary of cash flows of the Company for the year ending 30 June 2010 as set out in Table 7.4 (the "Forecasts").

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Forecasts to which it relates for any purposes other than the purpose for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 7.2, 7.8 and 7.10 of the Prospectus has been extracted from the audited financial statements of the Company, which were audited by PricewaterhouseCoopers that issued unqualified audit opinions on the financial statements. The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of the Company going forward. The Directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the historical financial performance of the Company for the relevant historical period;
- a review of work papers, accounting records and other documents provided by the Company;
- a review of the assumptions used as the basis for the pro forma statement of financial position;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Appendix to the Prospectus; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

(2)

8. INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE



Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Historical Financial Information, as set out in Section 7.2, 7.8 and 7.10 of the Prospectus does not present fairly:
 - (a) the historical financial performance of the Company for the full year periods ended 30 June 2008 and 30 June 2009;
 - (b) the historical statement of financial position of the Company as at 30 June 2009;
 - (c) the historical summary of cash flows for the Company for the full year periods ended 30 June 2008 and 30 June 2009; and
 - (d) the pro forma statement of financial position of the Company as at 30 June 2009

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in the Appendix to the Prospectus.

Scope of review of Forecasts

The Directors are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions, (which include the pro forma transactions), on which the Forecasts are based.

Our review of the best estimate assumptions underlying the Forecasts was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecasts. These procedures included discussion with the Directors and management of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:

the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts; and whether, in all material respects, the Forecasts have been properly prepared on the basis of the assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Appendix to the Prospectus, so as to present a view of the Company which is consistent with our understanding of the Company's past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of

(3)



certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the sensitivity analysis and to the investment risks set out in Section 7.5 and Section 6 respectively of the Prospectus.

Our review of the Forecasts that are based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 7.3 and 7.4 of the Prospectus do not provide a reasonable basis for the Forecasts;
- (b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Appendix to the Prospectus; and
- (c) the Forecasts are unreasonable.

The assumptions set out in Section 7.3 and 7.4 of the Prospectus which form the basis of the Forecasts are subject to significant uncertainties and contingencies, which are often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

(4)

8. INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE



Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this offer other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Richard Shackcloth'.

Richard Shackcloth
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A

**PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE**

This Financial Services Guide is dated 17 August 2009

- 1 About us**
PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by carsales.com Limited ("carsales.com") to provide a report in the form of an Investigating Accountant's Report in relation to carsales.com pro forma historical and forecast financial information (the "Report") for inclusion in the prospectus dated 17 August 2009.
- You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.
- 2 This Financial Services Guide**
This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.
- 3 Financial services we are licensed to provide**
Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.
- 4 General financial product advice**
The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.
- 5 Fees, commissions and other benefits we may receive**
PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been charged based on hourly rates and included in Section 9 of the Prospectus.
- Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.
- 6 Associations with issuers of financial products**
PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.
- PricewaterhouseCoopers is the auditor of carsales.com Limited.
- 7 Complaints**
If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.
- If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.
- 8 Contact Details**
PwC Securities can be contacted by sending a letter to the following address:
Richard Shackcloth
PricewaterhouseCoopers Securities Ltd
2 Southbank Boulevard, Southbank VIC 3006

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9. ADDITIONAL INFORMATION



9. ADDITIONAL INFORMATION

9.1 REGISTRATION AND CORPORATE STRUCTURE

carsales was registered as a proprietary company in Victoria on 18 June 1996 under the name Denward Way Pty Ltd.

On 13 August 1997, carsales changed its name from Denward Way Pty Ltd to Carsales Pty Ltd.

On 1 March 2000, carsales converted from a proprietary company to a public company. On 2 March 2000, carsales changed its name from Carsales Pty Ltd to carsales.com.au Ltd.

On 5 November 2007, carsales changed its name from carsales.com.au Ltd to carsales.com Ltd.

9.1.1 Company Tax Status

The Company will be taxed in Australia as a public company.

9.1.2 Share Capital

Constitution and Rights Attaching to Shares

Shares issued or transferred pursuant to this Prospectus will be fully paid ordinary shares in the capital of carsales, ranking equally with all other issued Shares. The rights attaching to Shares are set out in the Constitution and in certain circumstances regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

A summary of the rights attaching to the Shares and certain provisions of the Constitution is set out below. This summary is not intended to be exhaustive. Investors who wish to inspect the Constitution may do so during the Offer Period at the registered office of carsales during normal business hours.

Meetings of Shareholders

Each holder of Shares will be entitled to receive notice of and to attend and vote at, general meetings of carsales and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

Voting

Subject to any restrictions imposed by the Constitution, the Corporations Act and the Listing Rules, every Shareholder present in person at a meeting of the Shareholders of carsales or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

The quorum required for a meeting of Shareholders is two members present at the time when the meeting proceeds to business.

Dividends

The Directors may from time to time determine to distribute carsales' profits by way of dividends. Dividends are payable on all Shares. The Board currently intends to distribute approximately 80% of net profit after tax as dividends to shareholders and to frank dividends to the greatest extent possible. No guarantee can be given about the payment of dividends, the level of franking of such dividends or the effect of the payout ratio for any future period. These matters depend upon carsales' future profits, and its financial and taxation position at the time.

The final dividend for FY09 will be paid to Existing Shareholders on 25 August 2009. No further dividend in relation to the year ended 30 June 2009 will be paid following the Offer. Applicants under the Offer will not be entitled to the final dividend for FY09.

Further Issues of Shares and Options

The allotment and issue of Shares and Options is under the control of the Directors. Subject to any restrictions imposed by the Constitution, the Listing Rules or the Corporations Act, the Directors may allot, issue or otherwise dispose of Shares or Options to any person on such terms and conditions as they see fit.

Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form, any form approved by the Directors or while carsales is listed on ASX, Shares can be transferred electronically in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of Shares, including in circumstances where the transfer is not in registrable form or the refusal to register the transfer is permitted by the Listing Rules or ASX. Subject to the Listing Rules, Shares are freely transferable. The Directors must refuse to register a transfer of Shares where required to do so by the Listing Rules. In addition, subject to the Corporations Act and the Listing Rules, the Directors may, in limited circumstances as described in the Constitution, apply a holding lock to prevent a transfer of Shares.

Proportional Takeover Provisions

The Constitution contains provisions which prohibit the registration of any transfer of Shares giving effect to an offer made under a proportional takeover bid until the persons holding Shares in a class for which the offer under the takeover bid was made have passed a resolution approving the bid. The bidder and any associate of the bidder are excluded from voting on that resolution. To remain effective, these provisions must be renewed by carsales in its general meeting every three years.

Winding-up

Subject to the rights attaching to any Shares on a winding-up of carsales all assets that may be legally distributed among the Shareholders will be distributed to Shareholders in order to return capital paid up on their Shares and distribute any surplus in proportion to the amount paid up (not credited) on Shares held by them.

Share Buy-Backs

Subject to the provisions of the Corporations Act and the Listing Rules, carsales may buy-back its Shares on terms and at times determined from time to time by the Directors.

Directors

The minimum number of Directors is three. No person other than a retiring Director shall be eligible for election as a Director at a general meeting unless he or some other member, at least 35 business days before the general meeting, gives a signed notice in writing giving consent to the nomination and signifying his candidature for the office. However, in the case of a person recommended by the Directors for election, only 28 days shall be necessary.

A Director other than a Managing Director shall not hold office for more than three years or beyond the third annual general meeting following his appointment without submitting himself for re-election. The Directors may, from time to time, appoint one or more of their body to the office of Managing Director for such period and on such terms as they think fit.

The quorum for a Directors' meeting is two or any greater number determined from time to time by the Directors.

Alteration of Constitution

In accordance with the provisions of the Corporations Act, the Constitution may only be amended by a special resolution passed by at least three-quarters of Shareholders present and voting at a general meeting of carsales.

9.1.3 Option Plan

carsales has implemented an Option Plan to provide equity and retention incentives for key executives. There are 4,862,500 Options on issue under the Option Plan. As at the date of the Prospectus, 1,137,500 Options have vested and 3,725,000 Options remain unvested. The Options which have vested have an average exercise price of approximately \$1.64 per Option, and the Options which remain unvested have an average exercise price of approximately \$2.06.

Invitation and Eligibility

The Board has the authority to invite employees or other executives to apply for Options.

Vesting of Options

The conditions for the exercise of Options may include performance conditions.

Terms of Options

Options acquired under the Option Plan cannot be transferred or otherwise disposed of.

Optionholders are not entitled to participate in any rights issues by carsales or to receive any dividends paid by carsales prior to the exercise of the Options. The Options will not confer a right to notices of general meetings, a right to attend or speak at general meetings nor a right to vote at general meetings except as may be required by law.

If carsales makes a bonus issue of Shares to Shareholders, each Optionholder shall receive a bonus issue of Options to maintain the same proportion of Options held by the Optionholder to the number of Shares on issue.

Cessation of Employment

Subject to the occurrence of special circumstances including permanent disablement or death, if an Optionholder ceases to be employed by the Group all Options which have not yet vested will lapse.

All Options will automatically lapse if not exercised pursuant to the Option Plan within five years or such other period as determined by the Board, of their issue.

9. ADDITIONAL INFORMATION

Variation of the Option Plan

Subject to the Listing Rules, the Board shall have the power to amend or vary the Option Plan.

Other than in certain specified circumstances, the Company may not vary the Option Plan if such variation is likely to reduce the rights of Optionholders.

9.1.4 Material Contracts

Underwriting Agreement

The Lead Manager has entered into the Underwriting Agreement with carsales, the Vendor Shareholders, the senior managers of carsales that hold beneficial interest in the Offer Shares offered for sale by the Vendor Shareholders ("Managers") and SaleCo.

Each of the Vendor Shareholders and SaleCo irrevocably appoints carsales to be its attorney to, among other things, conduct the Offer, receive Applications, amend the timetable of the Offer, and provide any consent or approval required to be provided by the Vendor Shareholders or SaleCo under the Underwriting Agreement.

Each of the Vendor Shareholders and SaleCo irrevocably appoints carsales to be its attorney to, among other things, conduct the Offer, receive Applications, amend the timetable of the Offer, and provide any consent or approval required to be provided by the Vendor Shareholders or SaleCo under the Underwriting Agreement.

In accordance with the terms of the Underwriting Agreement, subject to its termination rights set out below, the Lead Manager has agreed to manage the Offer and to underwrite the Offer by subscribing for any shortfall securities, meaning any Offer Shares for which valid Applications are not received ("Shortfall Securities").

The Lead Manager may, at any time, appoint sub-underwriters to sub-underwrite up to the total number of Shortfall Securities.

Conditions

The obligations of the Lead Manager under the Underwriting Agreement are conditional on, among other things:

- delivery to the Lead Manager of a number of reports and sign-offs in relation to the Offer in a form acceptable to the Lead Manager;
- receipt of various rulings and waivers from ASIC and ASX, in a form satisfactory to the Lead Manager;

- carsales, the Vendor Shareholders and SaleCo becoming capable of accepting applications for Offer Shares in accordance with section 727(3) prior to 5.00pm on the opening date of the Offer;
- information regarding the sale facility to be operated by SaleCo being despatched to Existing Shareholders by the specified date; and
- ASX indicating in writing that it will admit carsales to the official list of the ASX and grant official quotation of all of the Offer Shares (subject only to customary admission and quotation conditions) on or before 5.00pm on the Listing Approval Date (as that term is defined in the Underwriting Agreement).

If any of the conditions are not met by their respective deadlines, the Lead Manager may, by written notice to carsales, terminate the Underwriting Agreement.

Fees and costs

Under the Underwriting Agreement, carsales must pay the Lead Manager a fee equal to 3.25% of the Offer Price on all of the New Shares and a management fee of 0.25% of the Offer Price on all Existing Shares the subject of the Offer. The Vendor Shareholders and SaleCo must pay the Lead Manager the Seller Costs, which comprises a fee equal to 3.00% of the Offer Price on all Existing Shares the subject of the Offer, plus a discretionary incentive fee of 0.25% of the Offer Price on all Existing Shares the subject of the Offer, which is payable at the discretion of the Vendor Shareholders. carsales must also pay or reimburse the Lead Manager for various costs and expenses relating to or arising out of the Offer, including reasonable legal costs, stamp duty costs, out of pocket expenses and costs incurred in connection with any investigation conducted by ASIC, the ASX or other governmental body, other than any costs associated with any investigation to the extent that the investigation and those costs are finally judicially determined to result from any fraud, recklessness, wilful misconduct or gross negligence of the Lead Manager.

Representations, Warranties and Undertakings

Within the Underwriting Agreement, each of carsales, SaleCo, and the Vendor Shareholders provide separate representations and warranties to the Lead Manager, which are standard in nature. The Managers provide a representation and warranty in respect of the Vendor Shareholders with which they are associated regarding the Vendor Shareholder's title to Offer Shares the subject of the Offer and that such Offer Shares will be transferred free of encumbrances.

Further, each of carsales, SaleCo and the Vendor Shareholders provide separate undertakings. carsales undertakings include that it will not, without the prior written consent of the Lead Manager, from the date of the Underwriting Agreement until 180 days after Settlement, allot or agree to allot any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of carsales or any member of the Group other than pursuant to the Offer, Underwriting Agreement, Option Plan, an employee share plan, dividend reinvestment plan or a bonus share plan or the exercise of any Options.

Indemnity

Each of carsales, SaleCo and the Vendor Shareholders have agreed to indemnify the Lead Manager and its affiliates against all losses, claims, demands, damages, costs, expenses and liabilities (whether direct or indirect) incurred in connection with the Offer or a breach of the Underwriting Agreement. Each Manager has agreed to indemnify the Lead Manager against all losses, claims, demands, damages, costs, expenses and liabilities (whether direct or indirect) incurred as a result of the representation and warranty given by the Manager (as described above) not being true and correct. The indemnities do not apply where the losses, claims, demands, damages, costs, expenses or liabilities are finally judicially determined to result primarily from any fraud, recklessness, wilful misconduct or gross negligence of the Lead Manager or its affiliates.

Termination events

The Lead Manager may terminate the Underwriting Agreement by notice to carsales, SaleCo and the Vendor Shareholders at any time without cost or liability after the Lead Manager becomes aware of any one or more of the following events (however, in the case of the termination events marked with an asterisk (*), the Lead Manager may not terminate the Underwriting Agreement unless it has reasonable and bona fide grounds to believe, and does believe, that the event or a series of events together has or is likely to have a material adverse effect on the outcome of the Offer or the performance of carsales or has or could give rise to a contravention of any law or regulation by the Lead Manager):

- **(disclosures in Offer documents)** a statement contained in this Prospectus or other document published by carsales relating to the Offer is misleading or deceptive (including, without limitation, misleading representations within the

meaning of section 728(2) of the Corporations Act) or a matter is omitted from this Prospectus or other document published by carsales relating to the Offer (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act);

- **(adverse change)** there is a material adverse change or effect regarding the general affairs, business, operations, prospects, management, financial position, earnings position, shareholder's equity or results of operations of the Group or in the opinion of the Lead Manager (acting reasonably) there is a material adverse change or effect regarding the success, marketing or settlement of the Offer;
- **(insolvency event)** an insolvency event occurs in relation to carsales or an insolvency event occurs in relation to any of the Vendor Shareholders, Managers, SaleCo or a related body corporate of carsales which materially affects the Group or the Offer;
- **(new circumstance)** there occurs a new circumstance that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to carsales or any entity in the Group within the meaning of section 719 of the Corporations Act;
- **(future matters)** any statement or estimate in this Prospectus or other document published by carsales in relation to the Offer, which relates to a future matter is or becomes incapable of being met;
- **(future matters)*** any statement or estimate in this Prospectus or other document published by carsales in relation to the Offer, which relates to a future matter, is in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe;
- **(market fall)** as at the close of trading for two consecutive business days from and following the date of the Underwriting Agreement or until 10:00am on the date of Settlement (whichever is the lesser period), the S&P/ASX200 Index of ASX has fallen by an amount that is 10% or more of the level as at the close of trading on the date of the Underwriting Agreement;
- **(trading of securities)** trading of securities quoted on the ASX, London Stock Exchange or New York Stock Exchange is suspended or materially limited for more than one business day;

9. ADDITIONAL INFORMATION

- **(Prospectus fails to comply)** this Prospectus or any aspect of the Offer does not comply with the Corporations Act, Listing Rules or any other applicable law or regulation;
- **(listing approval)** approval is refused or is not granted, which is unconditional (or conditional only on customary listing conditions which would not, in the opinion of the Lead Manager, have a material adverse effect on the success of the Offer) to (i) carsales' admission to the official list of ASX; or (ii) the official quotation of all of the Offer Shares on the ASX, on or before the Listing Approval Date, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- **(notifications)** any of the following notifications are made: (i) ASIC issues an order under section 739; (ii) an application is made by ASIC for an order under Part 9.5 in relation to this Prospectus or ASIC commences any investigation (other than an application which does not become public and is dismissed or withdrawn within 2 business days, provided the application is dismissed or withdrawn by 10.00 am on the Broker Firm Offer Closing Date) or hearing under Part 3 of the ASIC Act 1989 (Cth) in relation to this Prospectus; (iii) any person gives a notice under section 733(3) or any person who has previously consented to the inclusion of its name in this Prospectus (or any supplementary prospectus) withdraws that consent; or (iv) any person gives notice under section 730 in relation to this Prospectus;
- **(withdrawal)** carsales, SaleCo or the Vendor Shareholders withdraw this Prospectus or the Offer;
- **(disclosures in due diligence committee report)*** the due diligence committee report or any other information supplied by or on behalf of carsales, SaleCo or the Vendor Shareholders to the Lead Manager in relation to the Group, or the Offer is misleading or deceptive;
- **(hostilities)*** hostilities not presently existing at the time of the Underwriting Agreement commence (whether war has been declared or not) or a major act of terrorism or escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Japan, Russia or the People's Republic of China;
- **(moratorium)*** a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
- **(change of law)*** there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the Offer Shares;
- **(change in management)*** a change in the chief executive officer, chief financial officer or the Board occurs (except to the extent that the change to the Board is described in the Prospectus);
- **(indictable offence)*** a Director is charged with an indictable offence or is disqualified from managing a corporation under section 206A of the Corporations Act, legal proceedings commence against carsales or any Director, or a judgment in an amount exceeding \$25,000 is obtained against carsales and is not set aside or satisfied within 7 days;
- **(compliance with regulatory requirements)*** carsales, any entity in the Group, SaleCo, any Manager or any of the Vendor Shareholders contravenes its constitution, the Corporations Act or any of the Listing Rules;
- **(default)*** carsales, SaleCo, any Manager or any of the Vendor Shareholders default in performance of any of its obligations under the Underwriting Agreement;
- **(representations and warranties)*** a warranty given in the Underwriting Agreement (by any party other than the Lead Manager) is not true or correct; or
- **(force majeure)*** any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties, affecting carsales business or any obligations under the Underwriting Agreement occurs and subsists for more than 7 days.

Bank Facility

carsales has entered into a facility agreement with ANZ pursuant to which ANZ has made available approximately \$27,000,000 to carsales under various facilities.

The facility agreement contains undertakings, representations and warranties, and events of default which are standard for facilities of this nature. The facilities are subject to annual review.

ANZ's prior written consent is required if a person or entity (other than ACP Magazines) acquires or holds more than 50% of the Shares in carsales.

In order to secure moneys advanced by ANZ to the Group, carsales has granted a first ranking fixed and floating charge over its assets and undertaking in favour of ANZ.

9.1.5 Ownership Restrictions**Australia**

The sale and purchase of Shares in the Company is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This section contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's "Foreign Investment Policy" or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or

would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

9.2 SALE OF SHARES BY VENDOR SHAREHOLDERS AND ELIGIBLE EXISTING SHAREHOLDERS**9.2.1 SaleCo**

The Vendor Shareholders have offered approximately 26.5 million Shares for sale through the Offer. In order to provide the same opportunity for Eligible Existing Shareholders to realise all or a portion of their investment, SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by Eligible Existing Shareholders. At the date of this Prospectus, a number of Existing Shareholders (who are not Vendor Shareholders) have committed to sell approximately 16.0 million Shares into the Offer via SaleCo.

SaleCo is a special purpose vehicle which has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and deed polls described below. The directors of SaleCo are Richard Collins (a director of carsales, see Section 5.1) and Cameron McIntyre (Chief Financial Officer of carsales, see Section 5.2). The shareholder of SaleCo is ABL Fiduciary Corporation Pty Ltd, a fiduciary company associated with Arnold Bloch Leibler, the Australian legal advisers to the Offer.

At or around the Prospectus Date, Eligible Existing Shareholders have been or will be provided with the opportunity to execute deed polls in favour, and for the benefit, of SaleCo under which they irrevocably offer to sell a specified number of their Shares to SaleCo free from encumbrances and third party rights, and conditional on ASX granting approval to the admission of the Company to the official list of ASX. The price payable by SaleCo for these Shares will be the Offer Price, net of the Seller Costs.

The Shares which SaleCo acquires from Eligible Existing Shareholders will be transferred to successful Applicants under the Offer.

carsales has agreed to indemnify SaleCo, its directors and shareholder for any loss any of them may incur as a consequence of the Offer. carsales has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer.

9. ADDITIONAL INFORMATION

9.3 AUSTRALIAN TAXATION CONSIDERATIONS

9.3.1 General

This is a general description of the Australian income tax consequences for investors who acquire Shares through the Retail Offer and Institutional Offer.

The taxation summary seeks to provide Australian resident individual Shareholders, Australian resident complying superannuation fund Shareholders, Australian resident corporate Shareholders and non-resident Shareholders with an overview of the relevant Australian income tax considerations associated with the payment of dividends by the Company and the future disposal of their Shares.

The Australian tax laws are complex. The summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The individual circumstances of each investor may affect the taxation implications of the investment of that investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

The Company disclaims all liability to any investor or other party for all costs, loss, damage and liability that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or other party or the reliance on it by the investor or other party.

Unless otherwise indicated, the comments are based on the income tax law, established interpretations of that law and understanding of the practice of the tax authority in Australia as at the date of this Prospectus. Investors should also be aware that the Australian tax rules are continuing to undergo significant change.

9.3.2 Taxation of Dividends

Dividends are paid to Shareholders from the accounting profits of the Company. Shareholders will generally receive credits for any Australian corporate tax that has been paid on these profits. These credits are known as “franking credits” and they represent the extent to which a dividend is “franked” by the Company. It is possible for a dividend to be fully or partly franked or unfranked. Where a dividend is partly franked the franked portion is treated as fully franked and the remainder as being unfranked.

It should be noted that the definition of dividend for Australian income tax purposes is broad and can include certain capital returns and off-market share buy-backs.

The comments below on the taxation of dividends apply only to shareholders who are taxpaying i.e., where the dividends are not exempt from tax in their hands.

Australian Resident Shareholders – Individuals, companies and complying superannuation funds

(a) Assessability of dividends

Such Shareholders will need to include dividends in their assessable income in the year in which the dividends are paid. In addition, to the extent that the dividends are franked, then the franking credits attaching to the dividends must also be included in their assessable income (that is, the dividends are grossed-up). Shareholders are taxed at the tax rate applicable to them on the dividends received and the attached franking credits.

Such Shareholders will be entitled to a “tax offset” equal to the amount of franking credits received, reducing overall tax payable.

Such Shareholders will:

- receive a tax benefit if the franking credits attached to the dividend exceed their tax payable on the grossed up dividend.
- need to pay additional tax if the tax payable as a result of receiving the dividend exceeds the franking credits attached to the dividend.

(b) Denial of the benefit of franking credits

In certain circumstances, the benefit of franking credits can be denied in which case Shareholders do not need to include an amount for the franking credits in their assessable income and are not entitled to a tax offset. These circumstances are where:

- (1) the shareholder is not a qualified person. Broadly, to be a qualified person, two tests must be satisfied, namely the “holding period rule” and the “related payments rule”. In broad terms, if Shareholders have held the Shares at risk for at least 45 days (excluding the dates of acquisition and disposal) they will pass the holding period rule and will not be disqualified from the benefit of franking credits. The related payment rule broadly applies to deny the benefit of franking credits where the taxpayer has made or will make a related payment in respect of the dividends;
- (2) the Commissioner has made a determination that the dividends are paid as part of a scheme to enable a taxpayer to obtain an imputation benefit;
- (3) the Commissioner has made a determination that the dividends are paid as part of a dividend streaming arrangement; or

- (4) the dividends are paid as part of a dividend stripping operation.

(c) Excess franking credits and refunds

Individuals and complying superannuation funds are entitled to claim a refund for any excess franking credits i.e., where the tax offset on franked dividends exceeds the tax otherwise payable on taxable income. For companies however, the franking credits received can not give rise to a refund, but excess franking credits may be able to be converted into carry forward losses.

(d) Treatment of franking credits by corporate Shareholders

Australian resident corporate Shareholders are also entitled to franking credits in their franking accounts equal to the franking credits attaching to the dividends. Australian resident corporate Shareholders can then use the credits to make frankable distributions to their Shareholders.

Non-Resident Shareholders – General

Unfranked dividends paid to non-resident Shareholders will be subject to dividend withholding tax. Australian dividend withholding tax is imposed at 30% unless a Shareholder is a resident of a country with whom Australia has concluded a double taxation agreement. In these circumstances, the withholding tax is generally then limited to 15%.

Fully franked dividends are not subject to Australian dividend withholding tax irrespective of the country of residence of the Shareholder.

In certain circumstances, non-resident Shareholders may be assessable for tax on any such dividends rather than being subject to the withholding tax rules e.g., if the dividends are paid to a non-resident who is carrying on business in Australia through a permanent establishment to which the dividends are attributable.

Non-resident Shareholders should also consider the impact of dividends under the tax rules in their home country.

9.3.3 Taxation of Future Share Disposals

Australian Resident Shareholders – General

Australian Shareholders who trade Shares in the ordinary course of their business and/or hold their Shares on revenue account must include any gains/ (losses) made on the disposal of their Shares in their taxable income.

Australian resident Shareholders who hold their shares on capital account must consider the impact

of Australian capital gains tax rules on the disposal of their Shares.

A Shareholder derives a capital gain on the disposal of Shares where the capital proceeds received on disposal exceed the capital gains tax cost base of those Shares. The cost base of each Shareholder should generally be equal to the issue price of the Shares and, among other things, any incidental costs of acquisition.

A Shareholder incurs a capital loss on the disposal of Shares where the capital proceeds received on disposal is less than the reduced capital gains tax cost of the Shares.

All capital gains and losses for the income year are added together to produce a net capital gain position for that income year. A net capital gain for an income year is included in the resident taxpayer's assessable income and is subject to taxation in Australia. A net capital loss is effectively quarantined and may generally be carried forward to future income years to be deducted against future capital gains.

Certain shareholders are entitled to the benefit of a discount whereby only a specified percentage of the capital gain is assessable to tax as discussed below.

Capital Gains Tax Concession for individuals and complying superannuation funds

Individual Shareholders may be entitled to a concession on the amount of capital gains assessed. The concession is available to individuals who hold their Shares for at least twelve months prior to disposal. The concession results in only 50% of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the discount capital gains tax provisions.

The capital gains tax treatment of Australian resident complying superannuation funds is, in general, the same as that set out for Australian resident individuals, except that the capital gains tax discount is one-third rather than 50%.

Capital gains made by companies are not eligible for a discount.

Non-Resident Shareholders – General

Non-resident Shareholders who hold Shares on revenue account may need to include profits from the sale of Shares in their assessable income. Applicable double taxation agreements may however provide relief from Australian taxation.

Non-resident Shareholders who hold their Shares on capital account will not generally be subject to Australian tax including tax on capital gains,

9. ADDITIONAL INFORMATION

upon disposal of their Shares except in limited circumstances e.g., where the Shares are used in carrying on a business through an Australian permanent establishment.

9.3.4 Tax File Number and Australian Business Number

You are not obliged to quote your tax file number (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy (currently 1.5%) from certain distributions.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

9.3.5 Stamp Duty

No stamp duty will be payable by you on the issue of Shares to you pursuant to the Offer. Under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares by you.

9.3.6 Goods and Services Tax

Under current Australian law, goods and services tax will not be payable in respect of any issue or transfer of Shares.

9.4 INTERESTS OF DIRECTORS

Except as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of carsales;
- the Offer; or
- any property acquired or proposed to be acquired by carsales, respectively, in connection with its formation or promotion or the Offer, other than in their capacity as a Shareholder.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce that person to become, or qualify as, a Director; or
- for services provided by that person in connection with the formation or promotion of carsales, or the Offer.

As at the Prospectus Date, the interests of the Directors in Shares and options are:

Director	Number of Shares held by Directors or their associates	Number of Options held by Directors or their associates
Walter Pisciotta [^]	37,107,137	250,000
Patrick O'Sullivan [*]	0	187,500
Greg Roebuck [^]	10,914,055	800,000
Ian Law [*]	0	187,500
Richard Collins ^{^^}	3,761,500	125,000
Adrian MacKenzie [*]	0	187,500
Jeffrey Browne [*]	0	187,500
Alternate Director		
Steven Kloss [^]	5,191,666	127,500

^{*} Each of these Directors is associated, whether as director or otherwise, with ACP Magazines which holds 114,205,181 Shares as at the Prospectus Date. Each of these Directors holds his options on trust for ACP Magazines. These Directors are also associated with PBL Media. carsales has entered into a series of contracts with ACP Magazines. These contracts require ACP Magazines to provide a range of services, including the promotion of carsales' websites, the provision of advertising content, and editorial services, in return for fixed fees and commissions. The contracts also require carsales to provide certain services to ACP Magazines in return for fixed fees. PBL Media also has a 50% ownership interest in ninemsn Pty Ltd (ninemsn). ninemsn provides services to carsales including online integration, distribution and promotion and online advertising in return for commissions and fees.

[^] Each of these Directors is also director of Pentana Solutions and has an interest in shares in Pentana Solutions. Pentana Solutions entered into a contract with carsales in 2000 for the supply of data and services (including supply of personnel, premises, plant and equipment). Under the contract, Pentana Solutions supplies data for the exclusive use of carsales in return for a percentage of revenues. Pentana Solutions supplies other services at actual cost, or actual cost plus a fixed markup percentage.

^{^^} This Director is associated with automotive dealerships which utilise carsales' services on arm's length terms that are no more favourable to the dealerships than the terms that apply to other dealerships in similar circumstances.

9.5 RELATED PARTY AGREEMENTS

9.5.1 ACP and ninemsn

carsales has entered into online editorial content and trade mark agreements with ACP Magazines. The agreements grant carsales an exclusive licence to use certain editorial content published by ACP Magazines on various websites operated and maintained by carsales and a licence to use certain trade marks in connection with such sites. These agreements are due to expire in October 2020. In addition to the

usual termination rights for insolvency and breach, ACP Magazines may terminate the agreement on limited notice if there is a change of control of carsales that results in a competitor of ACP Magazines or of any related entity of ACP Magazines acquiring a majority of the shares in carsales.

carsales has also entered into a series of other contracts with ACP Magazines. These contracts require ACP Magazines to provide a range of services, including the promotion of carsales' websites and the provision of advertising content, in return for fixed fees and commissions. The contracts also require carsales to provide certain services to ACP Magazines in return for fixed fees.

PBL Media has a 50% ownership interest in ninemsn Pty Ltd (ninemsn). ninemsn provides services to carsales including online integration, distribution and promotion and online advertising in return for commissions and fees.

9.5.2 Pentana Solutions

carsales utilises specified dealer data supplied by Pentana Solutions in the operation of the carsales website, and has an ongoing relationship with Pentana Solutions. carsales has entered into a commercial agreement with Pentana Solutions which provides for the exclusive supply by Pentana Solutions to carsales of data services, and this agreement is due to expire in March 2010. A binding heads of agreement has been signed between carsales and Pentana Solutions that extends the period of the existing agreement for an additional 5 years and also amends the commercial terms of the existing agreement to be slightly more favourable to carsales.

9.6 DIRECTORS' REMUNERATION

Non-executive Directors will collectively be paid from a fixed sum out of the funds of carsales as remuneration for their services as Directors. The fixed sum has been set at \$218,000 for the year ended 30 June 2009 plus the issue of 625,000 share options issued pursuant to the Option Plan (see Section 9.1.3).

The cash remuneration was shared between the Non Executive Directors and includes superannuation.

The options were issued under the Company's Option Plan in September 2008 with specific terms being:

- (a) once vested each option will entitle the holder to subscribe for one share at an issue price of \$2.00 per share;

- (b) the options vest on 15 September 2009 or earlier if the Directors determine that there has been a change of control of carsales, in which case the options will vest on the date of such change of control taking effect; and
- (c) options which have vested but remain unexercised will expire on 15 September 2012.

All Directors will be paid travelling and other expenses properly incurred by them in attending meetings of the Board, or any committees of the Board, or general meetings of carsales, or otherwise in connection with the business of carsales.

Under the Constitution, the remuneration payable to Non Executive Directors must not be more than the aggregate fixed sum which is determined by Shareholders at a general meeting.

9.7 INTERESTS OF ADVISERS

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of carsales; or
- the Lead Manager to the Offer,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of carsales;
- the Offer; or
- any property acquired or proposed to be acquired by carsales in connection with the formation or promotion of carsales or the Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of carsales or the Offer. The amounts below are exclusive of GST.

Macquarie Capital Advisers Limited has acted as Lead Manager and Underwriter to the Offer. The Company, the Vendor Shareholders and SaleCo have agreed to pay Macquarie Capital Advisers Limited the amounts referred to in Section 9.1.4 for these services.

Arnold Bloch Leibler ('ABL') has acted as Australian legal adviser to the Company in connection with the Offer and has performed work in relation to the Australian due diligence enquiries on legal matters. The Company has agreed to pay

9. ADDITIONAL INFORMATION

approximately \$264,000 to ABL for such services to the date of this Prospectus. Further amounts may be paid to ABL in accordance with its usual time based charge out rates.

PricewaterhouseCoopers Securities Limited ('PwCS') has prepared the Investigating Accountant's Report on the Financial Information included in this Prospectus. PwCS' role in relation to the Offer has been described in the Investigating Accountants Report as presented in Section 8 of this Prospectus.

PricewaterhouseCoopers ('PwC') has acted as carsales' statutory auditor and has audited the historical results and cash flows for the years ended 30 June 2008 and 30 June 2009.

The Company has agreed to pay approximately \$158,000 to PwC for the audit for the year ended 30 June 2009 and approximately \$110,000 to PwCS for their services. Further amounts may be paid to PwC or PwCS in accordance with its usual time-based charge-out rates.

Computershare Investor Services Pty Limited has been appointed to act as the Registry of the Company in relation to the Offer.

9.8 ASIC RELIEF

ASIC has exempted SaleCo, the Registry and the Underwriter from section 1019F of the Corporations Act to allow SaleCo to invite Eligible Existing Shareholders to sell their Shares to SaleCo in order for SaleCo to offer those Shares to prospective Applicants under this Prospectus, subject to certain conditions with which SaleCo will comply.

ASIC has exempted SaleCo, carsales and the Underwriter from sections 606 and 671B of the Corporations Act to:

- allow SaleCo to acquire 20% or more of the Shares in carsales, subject to certain conditions; and
- grant relief from the substantial shareholder reporting obligations to SaleCo, the Underwriter, carsales, and any person who has a relevant interest in the Shares acquired by SaleCo from Eligible Existing Shareholders, on certain conditions.

ASIC has exempted the Underwriter from subsection 606(1) of the Corporations Act to allow the Underwriter to enter into the Underwriting Agreement described in Section 9.1.4 and to perform its obligations under that agreement. For the purposes of this exemption, the Underwriter discloses that, if it were to acquire the maximum

number of Shares able to be acquired under the Underwriting Agreement, the Underwriter's voting power in the Company would be 30.6%.

9.9 CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Macquarie Capital Advisers Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager and Underwriter to the Offer in the form and context so named.
- Arnold Bloch Leibler has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's Australian legal adviser in the form and context it is so named.
- PricewaterhouseCoopers Securities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant in relation to the Financial Information in the form and context it is so named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included.
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to carsales in the form and context it is so named.
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named as the Registry in the form and context in which it is named.
- Frost & Sullivan has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus and to the inclusion of the references to it in the form and context in which they are included.
- IAB Australia has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus and to the inclusion of the references

to it in the form and context in which they are included.

- Nielsen has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus and to the inclusion of the references to it in the form and context in which they are included.
- CEASA has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus and to the inclusion of the references to it in the form and context in which they are included.
- PBL Media has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus and to the inclusion of the references to it in the form and context in which they are included.
- Walter Pisciotta and his associated entities have given, and have not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in the Prospectus and to the inclusion of the references to them in the form and context in which they are included.
- Greg Roebuck and his associated entities have given and have not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in the Prospectus and to the inclusion of the references to them in the form and context in which they are included.
- Steven Kloss and his associated entities have given, and have not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in the Prospectus and to the inclusion of the references to them in the form and context in which they are included.
- Richard Collins and his associated entities have given, and have not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in the Prospectus and to the inclusion of the references to them in the form and context in which they are included.

No entity referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except those specifically attributed to each of them in this Prospectus. This applies to the maximum extent permitted by law and does not

apply to any matter to the extent to which consent is given above.

9.10 COSTS OF THE OFFER

The costs in connection with the Offer (including advisory, legal, accounting, tax, stamp duty, listing and administrative fees, as well as printing, advertising and other expenses) are currently estimated to be approximately \$1.2 million. carsales will pay these costs of the Offer. In addition some fees which were incurred in the 2008 financial year were expensed by the Company in that year. The underwriting and offer management expenses, estimated to be between \$4.9 – \$8.1 million, will be borne by carsales, the Vendor Shareholders and SaleCo in the manner described in Section 9.1.4.

9.11 LITIGATION AND CLAIMS

The Company has opposed the registration and use by Dorkcorp (Vic) Pty Ltd (Dorkcorp) of the www.carsale.com.au domain name. As at the date of this Prospectus, Dorkcorp has filed a defence and cross-claim, these matters are not resolved and are subject to litigation before the Federal Court of Australia. Separately, Dorkcorp has opposed the Company's application for registration of the carsales.com.au trademark and the associated carsales.com.au logo in classes 16 and 35. The Company does not believe that these matters will result in a materially adverse outcome for the Company.

So far as the Directors are aware, other than as described in this Prospectus, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

9.12 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

9.13 ASX ADMISSION AND QUOTATION

The Company will apply to ASX for admission to the Official List and quotation of the Shares on the exchange operated by the ASX within seven days of the date of this Prospectus.

9.14 EXPIRY DATE

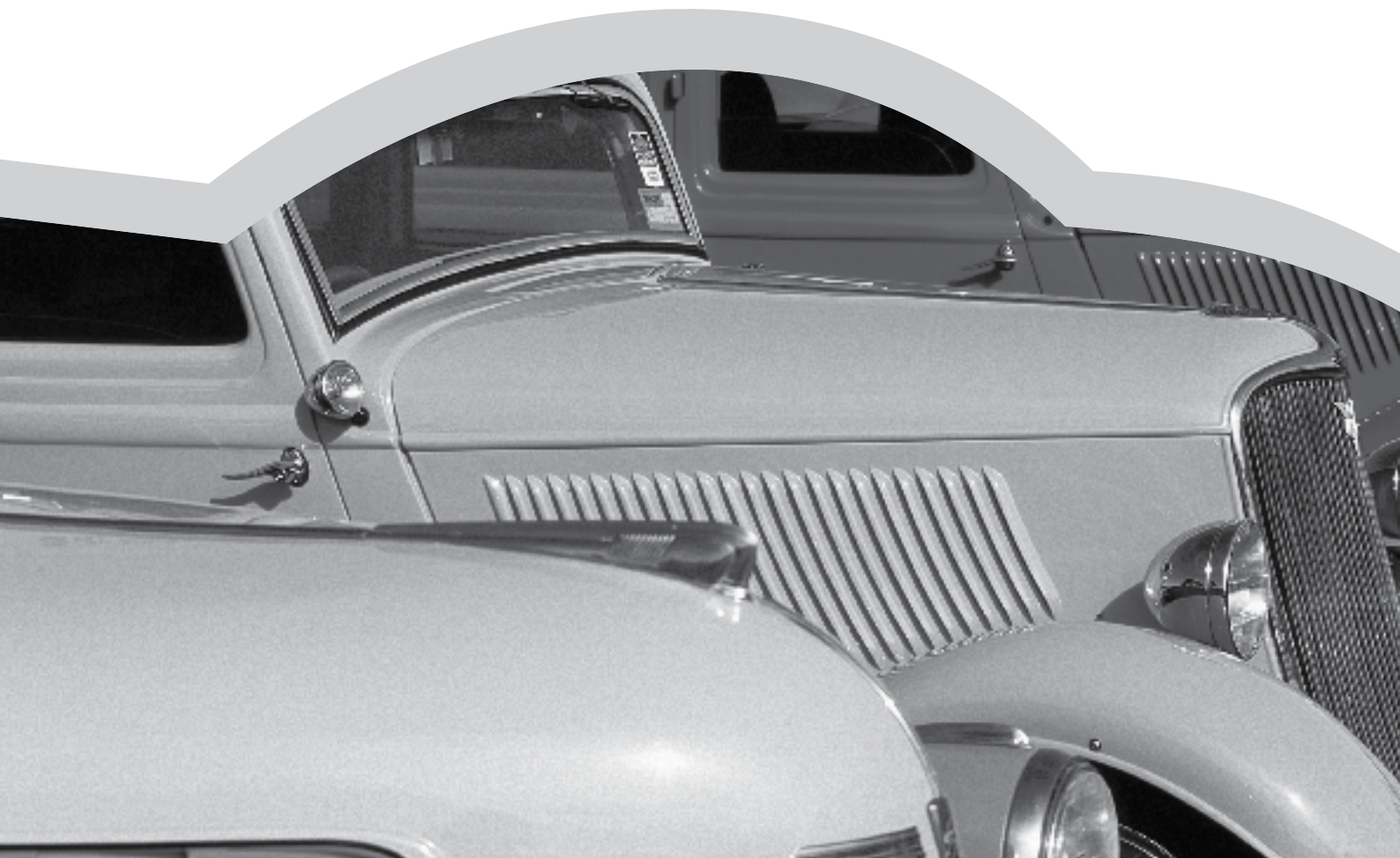
No Shares will be issued on the basis of this Prospectus after the Expiry Date.

9.15 STATEMENT OF DIRECTORS

The Directors report that after due enquiries by them, in their opinion, since the date of the audited financial statements in the Appendix, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

The issue of this Prospectus has been authorised by each of the Directors of the Company, each of the Vendor Shareholders and each director of SaleCo. Each Director of the Company, each director of SaleCo, each Vendor Shareholder who is an individual and every director of each Vendor Shareholder which is a corporate entity have consented to the lodgement of this Prospectus with ASIC and its issue, and has not withdrawn that consent.

APPENDIX HISTORICAL FINANCIAL STATEMENTS



APPENDIX HISTORICAL FINANCIAL STATEMENTS

Appendix – Historical Financial Statements

This financial report includes the Consolidated Historical Financial Statements and extracts from the notes to carsales.com Ltd's annual report for the year ended 30 June 2009. This financial report is presented in the Australian currency. The full annual report for the year ended 30 June 2009 is available on the carsales website at www.carsales.com.au.

Carsales.com Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Carsales.com Ltd
Level 1, 109 Burwood Road
Hawthorn Vic 3122

Statements of Financial Performance For the year ended 30 June 2009 and 30 June 2008

	Notes	Consolidated 2009 \$	2008 \$
Revenue from continuing operations	2	96,307,048	72,480,286
Other income		26,029	-
Other expenses		(2,101,541)	(884,861)
Sales and marketing expenses		(33,595,775)	(25,905,696)
Service development and maintenance		(8,411,626)	(5,147,453)
Operations and administration		(10,240,581)	(12,513,062)
Finance costs		(1,051,994)	(1,301,076)
Profit before income tax		40,931,560	26,728,138
Income tax expense	4	(10,257,059)	(7,997,304)
Profit from continuing operations		<u>30,674,501</u>	<u>18,730,834</u>
Profit for the year		<u>30,674,501</u>	<u>18,730,834</u>
Profit attributable to members of carsales.com Ltd		<u>30,674,501</u>	<u>18,730,834</u>

Statements of financial position
As at 30 June 2009

	Notes	Consolidated	
		2009 \$	2008 \$
ASSETS			
Current assets			
Cash and cash equivalents		15,729,445	7,794,492
Receivables		<u>12,377,651</u>	<u>11,736,543</u>
Total current assets		<u>28,107,096</u>	<u>19,531,035</u>
Non-current assets			
Other financial assets		-	-
Property, plant and equipment		4,181,770	3,744,229
Deferred tax assets		1,137,473	912,361
Intangible assets	5	<u>77,774,636</u>	<u>78,238,428</u>
Total non-current assets		<u>83,093,879</u>	<u>82,895,018</u>
Total assets		<u>111,200,975</u>	<u>102,426,053</u>
LIABILITIES			
Current liabilities			
Payables		7,364,326	8,508,121
Interest bearing liabilities	6	12,129	18,449,565
Current tax liabilities		3,804,880	3,617,331
Provisions		1,264,865	968,790
Other current liabilities		<u>3,003,212</u>	<u>2,354,149</u>
Total current liabilities		<u>15,449,412</u>	<u>33,897,956</u>
Non-current liabilities			
Interest bearing liabilities	7	18,766,593	-
Provisions		<u>979,667</u>	<u>774,519</u>
Total non-current liabilities		<u>19,746,260</u>	<u>774,519</u>
Total liabilities		<u>35,195,672</u>	<u>34,672,475</u>
Net assets		<u>76,005,303</u>	<u>67,753,578</u>
EQUITY			
Contributed equity		62,292,937	61,774,686
Reserves	8(a)	1,939,716	1,281,732
Retained profits (accumulated losses)	8(b)	<u>11,772,650</u>	<u>4,697,160</u>
Total equity		<u>76,005,303</u>	<u>67,753,578</u>

APPENDIX HISTORICAL FINANCIAL STATEMENTS

Statements of changes in equity For the year ended 30 June 2009

	Notes	Consolidated	
		2009 \$	2008 \$
Total equity at the beginning of the financial year		<u>67,753,578</u>	<u>63,621,014</u>
Exchange differences on translation of foreign operations		<u>14,390</u>	<u>10,884</u>
Profit for the year		<u>30,674,501</u>	<u>18,730,834</u>
Total recognised income and expense for the year		<u>30,688,891</u>	<u>18,741,718</u>
Contributions of equity upon exercise of employee share options		518,250	1,293,617
Dividends provided for or paid	8	(23,599,011)	(16,760,987)
Increase in share-based payment reserve		<u>643,595</u>	<u>858,216</u>
		<u>(22,437,166)</u>	<u>(14,609,154)</u>
Total equity at the end of the financial year		<u>76,005,303</u>	<u>67,753,578</u>

Cash flow statements
For the year ended 30 June 2009

	Notes	Consolidated	
		2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers (incl GST)		104,552,938	69,449,317
Payments to suppliers and employees (incl GST)		<u>(61,142,942)</u>	<u>(37,410,559)</u>
		43,409,996	32,038,758
Interest received		385,572	522,351
Interest paid		(779,518)	(1,301,076)
Income taxes paid		<u>(10,294,622)</u>	<u>(9,966,912)</u>
Net cash inflow (outflow) from operating activities	11	<u>32,721,428</u>	<u>21,293,121</u>
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	10	384,740	(11,973,638)
Payments for property, plant and equipment		<u>(2,088,660)</u>	<u>(3,617,016)</u>
Payments for domain names		(31,900)	(110,768)
Proceeds from disposal of assets		30,105	-
Dividends received		-	-
Net cash (outflow) inflow from investing activities		<u>(1,705,715)</u>	<u>(15,701,422)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		518,251	1,293,617
Proceeds from borrowings - external		1,000,000	14,006,839
Proceeds from borrowings - related parties		-	-
Repayment of borrowings		(1,000,000)	(2,027,838)
Dividends paid to company's shareholders	8	<u>(23,599,011)</u>	<u>(16,760,987)</u>
Proceeds from subsidiaries		-	-
Net cash inflow (outflow) from financing activities		<u>(23,080,760)</u>	<u>(3,488,369)</u>
Net increase (decrease) in cash and cash equivalents		7,934,953	2,103,330
Cash and cash equivalents at the beginning of the financial year		<u>7,794,492</u>	<u>5,691,162</u>
Cash and cash equivalents at end of year		<u>15,729,445</u>	<u>7,794,492</u>

Notes to the financial statements
30 June 2009

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for carsales.com Ltd as an individual entity and the consolidated entity consisting of carsales.com Ltd and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

AASB 8 Operating Segments include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of carsales.com Ltd complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

AASB 8 Operating Segments was early adopted by the Group in 2009. AASB 8 replaces AASB 114, Segment Reporting and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. The new standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. carsales.com Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of carsales.com Ltd.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the strategy group that makes strategic decisions.

Notes to the financial statements
30 June 2009
 (continued)

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is carsales.com Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of financial performance are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of financial performance, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Where the Group has utilised the services of a sales agency to sell advertising services on behalf of the Group, the sale is recorded at a value inclusive of sales commissions paid to the sales agency. Revenue is recognised for the major business activities as follows:

(i) Advertising services

A sale is recorded when a customer's advertisement has been displayed or when a referral has been generated leading to an enforceable claim by the Group.

(ii) Data and other services

A sale is recorded when data and other services have been provided to a customer leading to an enforceable claim by the Group.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Notes to the financial statements
30 June 2009
 (continued)

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation legislation

carsales.com Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, carsales.com Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, carsales.com Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statements of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of financial performance on a straight-line basis over the period of the lease.

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, as there is no published market price of equity instruments, other evidence and valuation methods are used as a measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Notes to the financial statements
30 June 2009
 (continued)

1 Summary of significant accounting policies (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of financial performance, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested bi-annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statements presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement generally within 30 days following the provision of advertising or data services.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of financial performance within 'operations and administration'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of financial performance.

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

Notes to the financial statements
30 June 2009
 (continued)

1 Summary of significant accounting policies (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the statement of financial position. Refer to note 1(k) for details of the impairment policy for trade receivables.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Vehicles	3-5 years
- Furniture, fittings and equipment	3-8 years
- Computer hardware & peripherals	3-4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of financial performance.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each primary operating segment.

(ii) IT development: Software, domain names and database

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Red Book database costs capitalised include direct payroll and payroll related costs of employees' time spent on developing the database. These intangible assets have finite lives and are subject to amortisation. The useful lives for these assets are as follows: software 3 years, domain names 5 years, database 10 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved services) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. These intangible assets have finite lives and are subject to amortisation.

Notes to the financial statements
30 June 2009
(continued)

1 Summary of significant accounting policies (continued)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of financial performance over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the carsales.com Ltd Option Plan.

The fair value of options granted under the carsales.com Ltd Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(s) Contributed equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the financial statements
30 June 2009
 (continued)

1 Summary of significant accounting policies (continued)

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third statement of financial position, (this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of financial performance. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(h) above.

Notes to the financial statements
30 June 2009
(continued)

1 Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cashflows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

2 Revenue

	Consolidated	
	2009	2008
	\$	\$
From continuing operations		
<i>Sales revenue</i>		
Sale of services	<u>95,921,475</u>	<u>71,926,019</u>
<i>Other revenue</i>		
Interest	385,573	554,267
Dividends	<u>-</u>	<u>-</u>
	<u>385,573</u>	<u>554,267</u>
	<u>96,307,048</u>	<u>72,480,286</u>

3 Expenses

	Consolidated	
	2009	2008
	\$	\$
Profit before income tax includes the following specific expenses:		
Total employee benefits	21,498,970	17,921,892
Interest and finance charges paid/payable	1,051,994	1,301,076
Minimum lease payments	1,838,681	1,012,058
Research and development	1,224,007	976,321
Defined contribution superannuation expense	1,705,790	1,188,368
Net loss on disposal of property, plant and equipment	35,504	74,880
Depreciation and amortisation expense	2,101,541	809,981

APPENDIX HISTORICAL FINANCIAL STATEMENTS

Notes to the financial statements
30 June 2009
 (continued)

4 Income tax expense

	Consolidated	
	2009	2008
	\$	\$
(a) Income tax expense		
Current tax	12,536,707	8,621,587
Deferred tax	(225,112)	(340,909)
Adjustments for current tax of prior periods	<u>(2,054,536)</u>	<u>(283,374)</u>
	<u>10,257,059</u>	<u>7,997,304</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 4)	<u>(225,112)</u>	<u>(340,909)</u>
	<u>(225,112)</u>	<u>(340,909)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	<u>40,931,560</u>	<u>26,728,138</u>
Tax at the Australian tax rate of 30% (2008 - 30%)	12,279,468	8,018,441
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	193,080	257,540
Non-taxable dividends	-	-
Sundry items	(160,952)	4,697
Adjustments for current tax of prior periods	<u>(2,054,537)</u>	<u>(283,374)</u>
Total income tax expense	<u>10,257,059</u>	<u>7,997,304</u>
(c) Prior period tax adjustments		

Notes to the financial statements
30 June 2009
(continued)

5 Non-current assets - Intangible assets

Consolidated	Goodwill \$	Domain names and other \$	Intangible asset: Database \$	Total \$
At 1 July 2007				
Cost	65,196,343	588,900	-	65,785,243
Accumulated amortisation and impairment	-	-	-	-
Net book amount	<u>65,196,343</u>	<u>588,900</u>	<u>-</u>	<u>65,785,243</u>
Year ended 30 June 2008				
Opening net book amount	65,196,343	588,900	-	65,785,243
Additions	-	110,768	-	110,768
Acquisition of subsidiary	<u>11,176,265</u>	<u>2,639</u>	<u>1,163,513</u>	<u>12,342,417</u>
Closing net book amount	<u>76,372,608</u>	<u>702,307</u>	<u>1,163,513</u>	<u>78,238,428</u>
At 30 June 2008				
Cost	76,372,608	702,307	1,163,513	78,238,428
Accumulated amortisation and impairment	-	-	-	-
Net book amount	<u>76,372,608</u>	<u>702,307</u>	<u>1,163,513</u>	<u>78,238,428</u>
Consolidated				
	Goodwill \$	Domain names and other \$	Intangible asset: Database \$	Total \$
Year ended 30 June 2009				
Opening net book amount	76,372,608	702,307	1,163,513	78,238,428
Additions	-	30,329	1,613	31,942
Amortisation charge	-	<u>(280,810)</u>	<u>(214,924)</u>	<u>(495,734)</u>
Closing net book amount	<u>76,372,608</u>	<u>451,826</u>	<u>950,202</u>	<u>77,774,636</u>
At 30 June 2009				
Cost	76,372,608	732,636	1,165,126	78,270,370
Accumulated amortisation and impairment	-	<u>(280,810)</u>	<u>(214,924)</u>	<u>(495,734)</u>
Net book amount	<u>76,372,608</u>	<u>451,826</u>	<u>950,202</u>	<u>77,774,636</u>

Notes to the financial statements
30 June 2009
 (continued)

5 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below.

2009	Australia \$	Total \$
Online Advertising	61,222,700	61,222,700
Data and Research	<u>15,149,908</u>	<u>15,149,908</u>
	<u>76,372,608</u>	<u>76,372,608</u>
2008	Australia \$	Total \$
Online Advertising	61,222,700	61,222,700
Data and Research	<u>15,149,908</u>	<u>15,149,908</u>
	<u>76,372,608</u>	<u>76,372,608</u>

Notes to the financial statements
30 June 2009
 (continued)

5 Non-current assets - Intangible assets (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

CGU	Growth rate **		Discount rate ***	
	2009 %	2008 %	2009 %	2008 %
Online advertising	2.5	2.5	9.0	9.9
Data and Research	2.5	2.5	9.0	9.9

Value-in-use calculation is based on segment EBITDA as disclosed and set out in note 4(b).

** Weighted average growth rate used to extrapolate cash flows beyond the budget period

*** In performing the value-in-use calculations for each CGU, the company has applied pre-tax discount rates to discount the forecast future attributable post tax cash flows.

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments in which they operate.

No impairment charge has been recognised in the current financial year. Management do not consider that a reasonable change in any of the key assumptions would lead to impairment.

6 Current liabilities - Interest bearing liabilities

	Consolidated	
	2009 \$	2008 \$
Secured		
Hire purchase liabilities	12,129	38,764
Cash advance facility	-	18,410,801
Total secured current borrowings	<u>12,129</u>	<u>18,449,565</u>
Total current borrowings	<u>12,129</u>	<u>18,449,565</u>

Notes to the financial statements
30 June 2009
 (continued)

6 Current liabilities - Interest bearing liabilities (continued)

(a) Risk exposures

Cash advance facility has been drawn against as a source of long-term financing on a needs basis. They expire on the 16 January 2012. The interest is paid in arrears on maturity of the advance.

(b) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 7.

7 Non-current liabilities - Interest bearing liabilities

	Consolidated	
	2009	2008
	\$	\$
Cash advance facility	<u>18,766,593</u>	<u>-</u>

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2009	2008
	\$	\$
Lease liabilities	12,129	38,764
Cash advance facility	<u>18,766,593</u>	<u>18,410,801</u>
Total secured liabilities	<u>18,778,722</u>	<u>18,449,565</u>

Hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

	Consolidated	
	2009	2008
	\$	\$
Current		
<i>Floating charge</i>		
Cash and cash equivalents	15,729,445	7,794,492
Receivables	<u>12,377,651</u>	<u>11,736,543</u>
Total current assets pledged as security	<u>28,107,096</u>	<u>19,531,035</u>
Non-current		
<i>Floating charge</i>		
Other financial assets	-	-
Plant and equipment	<u>4,181,770</u>	<u>4,725,776</u>
Total non-current assets pledged as security	<u>4,181,770</u>	<u>4,725,776</u>
Total assets pledged as security	<u>32,288,866</u>	<u>24,256,811</u>

Notes to the financial statements
30 June 2009
(continued)

7 Non-current liabilities - Interest bearing liabilities (continued)

(b) Fair value

The carrying amounts and fair values of borrowings at balance date are:

Group	At 30 June 2009		At 30 June 2008	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Cash advance facility	18,766,593	18,766,593	18,410,801	18,410,801
Lease liabilities	12,129	12,129	38,764	38,764
	<u>18,778,722</u>	<u>18,778,722</u>	<u>18,449,565</u>	<u>18,449,565</u>

8 Reserves and retained profits (accumulated losses)

	Consolidated	
	2009 \$	2008 \$
(a) Reserves		
Share-based payment reserve	1,914,443	1,270,848
Foreign currency translation reserve	<u>25,273</u>	<u>10,884</u>
	<u>1,939,716</u>	<u>1,281,732</u>

	Consolidated	
	2009 \$	2008 \$
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	1,270,848	303,025
Option expense	643,595	858,216
Transfer from share capital (options exercised)	-	<u>109,607</u>
Balance 30 June	<u>1,914,443</u>	<u>1,270,848</u>

Notes to the financial statements
30 June 2009
 (continued)

8 Reserves and retained profits (accumulated losses) (continued)

(b) Retained profits

Movements in retained profits (accumulated losses) were as follows:

	Consolidated	
	2009	2008
	\$	\$
Balance 1 July	4,697,160	2,727,313
Net profit for the year	30,674,501	18,730,834
Dividends	<u>(23,599,011)</u>	<u>(16,760,987)</u>
Balance 30 June	<u>11,772,650</u>	<u>4,697,160</u>

(c) Nature and purpose of reserves

(i) Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of options issued but not exercised.

9 Dividends

(a) Ordinary shares

	Consolidated	
	2009	2008
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 - 30%)	<u>7,006,775</u>	<u>6,830,339</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Notes to the financial statements
30 June 2009
(continued)

10 Business combination

Current period

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

Prior period

(a) Summary of acquisition

On 31 August 2007 carsales.com Ltd acquired 100% of the issued share capital of Automotive Data Services Pty 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 \$3,228,062 and net profit of \$433,717 to the Group for the period from 1 September 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the year ended 30 June 2008 contributed to the group would have been \$3,830,435 and \$430,355.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Cash paid	12,000,000
Direct costs relating to the acquisition	<u>191,993</u>
Total purchase consideration	12,191,993
Fair value of net identifiable assets acquired (refer to (c) below)	<u>1,015,728</u>
Goodwill (refer to (c) below)	<u>11,176,265</u>

(b) Cash flow information

	Consolidated	
	2009	2008
	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	12,191,993
Less: Cash acquired	<u>-</u>	<u>218,355</u>
Outflow of cash	<u>-</u>	<u>11,973,638</u>

At the date of acquisition there was an amount of \$384,740 owing to carsales.com Ltd from Automotive Data Services Pty Ltd which was deemed not recoverable and therefore capitalised as part of the cost of the investment. Subsequently, this amount was repaid and has been adjusted to the cost of the investment in the parent entity in the current year.

Notes to the financial statements
30 June 2009
 (continued)

10 Business combination (continued)

(c) Assets and liabilities acquired

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

	Acquiree's carrying amount	Fair value
	\$	\$
Cash & cash equivalents	218,355	218,355
Trade receivables	321,196	321,196
Plant and equipment	258,898	258,898
Intangible assets: Database	981,547	1,163,513
Intangible assets: Other	2,639	2,639
Other assets	99,674	99,674
Employee benefit liabilities, including superannuation	(883,754)	(883,754)
Other liabilities	(183,977)	(183,977)
Deferred tax asset	19,184	19,184
Net assets	<u>833,762</u>	<u>1,015,728</u>

11 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2009	2008
	\$	\$
Profit for the year	30,674,501	18,730,834
Depreciation and amortisation	2,101,541	809,981
(Gain) / Loss on sale of assets	(26,029)	74,880
Non-cash employee benefits expense - share-based payments	643,595	858,216
Change in operating assets and liabilities		
(Increase) in trade debtors	(1,490,201)	(2,632,672)
(Increase) in deferred tax asset	(225,112)	(360,093)
(Increase) in other operating assets	849,094	(830,789)
Increase in trade creditors	(1,249,192)	3,215,849
Increase in other operating liabilities	754,459	2,298,996
Increase in provision for income taxes payable	187,549	(1,530,714)
Increase in other provisions	501,223	658,633
Net cash inflow (outflow) from operating activities	<u>32,721,428</u>	<u>21,293,121</u>

GLOSSARY



GLOSSARY

Term	Meaning
ACP Magazines	ACP Magazines Limited (ACN 053 273 546), 100% owned by PBL Media.
AEST	Australian Eastern Standard Time.
ANZ	Australia and New Zealand Banking Group Limited (ACN 005 357 522).
Applicant	A person that lodges an Application Form pursuant to this Prospectus.
Application	An application to buy Shares under this Prospectus made on the Application Form attached to, or accompanying, this Prospectus, and accompanied by the relevant Application Monies.
Application Form	The form attached to or accompanying this Prospectus on which Applications for Shares can be made.
Application Monies	The monies payable in connection with an Application, being the amount of money accompanying an Application Form.
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	The settlement rules of the ASX Settlement & Transfer Corporation Pty Ltd (ABN 49 008 504 532).
ASX	ASX Limited (ABN 98 008 624 691).
Board	The Board of Directors of carsales.
Broker	Macquarie Equities Limited (ACN 002 574 923) or such other broker as determined by the Lead Manager and the Company.
Broker Firm Offer	Invitation under this Prospectus to Australian resident retail clients of brokers who have received a firm allocation from their Broker, as described in Section 2.7.
Broker Firm Applicant	An Applicant under the Broker Firm Offer.
CAGR	Compound annual growth rate. The year on year growth rate applied to an investment or other part of a company's activities over a multiple year period.
carsales	The Company.
CHESS	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.
Closing Date	The date on which the Offer closes, being 1 September for the Priority Offer and 7 September for the Broker Firm Offer. These dates and times may be varied by carsales, in consultation with the Lead Manager, without prior notice.
Company	carsales.com Limited (ABN 97 074 444 018).
Company Secretary	The company secretary of carsales.
Constitution	The Constitution of carsales.com Limited.
Corporate Directory	The Corporate Directory at the back of this Prospectus.
Corporations Act	Corporations Act 2001 (Commonwealth).
Discount Vehicles Australia	Discount Vehicles Australia Pty Ltd (ACN 088 330 152).
Directors	The directors of carsales.com Limited.
Eligible Employee	Those employees of carsales, as determined by the Board, to be eligible to participate in the Priority Offer.
Enterprise Value	Enterprise value of the Company on the listing date, equal to Market Capitalisation plus Net Debt.
EPS or Earnings per Share	NPAT divided by the total number of Shares on issue.
ERG or Equipment Research Group	Equipment Research Group Pty Ltd (ACN 092 269 997).

Term	Meaning
Eligible Existing Shareholders	Existing Shareholders who are not Vendor Shareholders other than ACP Magazines.
Existing Shareholders	The Shareholders of the Company as at the date of this Prospectus.
Existing Shares	The shares held by the Existing Shareholders as at the date of this Prospectus.
Expiry Date	Being 13 months after the date of this Prospectus.
Exposure Period	The seven day period from the date of this Prospectus (excluding public holidays) which may be extended by ASIC for up to an additional seven days.
Forecast	The Directors' financial forecast for FY10.
FY	Financial year ended/ending 30 June.
Group	carsales.com Limited and its subsidiaries and controlled entities or any one or more of them.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617).
Institutional Offer	The invitation to institutional investors in Australia and a number of overseas jurisdictions and is made pursuant to this Prospectus as described in Section 2.9.
IT	Information Technology.
Lead Manager or Underwriter	Macquarie Capital Advisers Limited (ABN 79 123 199 548).
Listing Rules	The listing rules of ASX.
Market Capitalisation	Total market value of the Company on ASX on the listing date.
Net Debt	Interest bearing liabilities less the value of carsales' cash holdings and other current financial assets.
New Shares	New Shares to be issued under the Offer.
Non-executive Director	Non-executive Director of carsales.
NPAT	Net Profit After Tax.
Offer	Offer of Shares under this Prospectus.
Offer Period	The period from the date on which the Retail Offer opens on 25 August until the Closing Date.
Offer Price	\$3.50 per Share.
Offer Shares	The 42.9 – 71.1 million Shares being offered under this Prospectus.
Officer	A Director (including a Non-executive Director) or Company Secretary of carsales.
Official List	The official list of entities that ASX has admitted and not removed from listing.
Option	An option to be issued a Share.
Option Plan	The option plan of the Company.
PBL	Consolidated Media Holdings Limited (ACN 009 071 167) (formerly Publishing and Broadcasting Limited).
PBL Media	PBL Media Holdings Pty Ltd (ACN 122 203 892).
PE	Price to earnings, being the ratio between market price and NPAT per Share.
Pentana Solutions	Pentana Solutions Pty Ltd (ACN 005 303 757) (formerly Reynolds & Reynolds Pty Ltd).
Priority Offer	The Priority Offer being extended to Eligible Employees of the Group, and certain other individuals identified by carsales as described in Section 2.7.2.

GLOSSARY

Term	Meaning
Priority Offer Applicants	An Applicant under the Priority Offer.
Prospectus	This document (including the electronic form of this Prospectus), and any supplementary or replacement Prospectus in relation to this document.
Prospectus Date	The date of this Prospectus.
Red Book	Automotive Data Services Pty Limited (ACN 001 680 593).
Register	The carsales share register.
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Retail Applicant	An Applicant under the Retail Offer.
Retail Offer	The invitation for retail investors under this Prospectus as described in Section 2.7. The Retail Offer includes the Broker Firm Offer and the Priority Offer.
Seller Costs	In respect of all Existing Shares the subject of the Offer, in the manner described in Section 9.1.4.
Settlement	The date on which the Offer Shares are allocated to successful Applicants.
Shares	Fully paid ordinary shares in the capital of carsales.
Shareholder	An owner of Shares.
SaleCo	Carsales SaleCo Pty Limited ACN (138 129 530).
Trader Online Assets	The companies acquired in October 2005 from ACP Magazines (which was part of PBL at the time of the acquisition) including ACP Points Pty Limited, and Equipment Research Group.
Underwriting Agreement	The underwriting agreement entered into by carsales and the Lead Manager as described in Section 9.1.4.
US Securities Act	The United States Securities Act of 1933 (as amended).
Vendor Shareholders	Those of the Existing Shareholders who offer to sell all or part of their Existing Shares directly through this Prospectus, namely: <ul style="list-style-type: none"> Walter Pisciotta (686,100 Shares) and his associated entities being: Clear-way Investments Pty Ltd ACN 005 232 593 (14,868,729 Shares) and Rainbow End Investments Pty Ltd ACN 067 489 329 (2,861,240 Shares); Greg Roebuck (540,000 Shares) and his associated entities being: Four Us Pty Ltd ACN 076 542 526 (2,100,000 Shares) and Rainbow Gold Pty Ltd ACN 088 953 048 (1,000,000 Shares); Steven Kloss (362,500 Shares) and his associated entity being: Steven Kloss Pty Ltd ACN 083 227 552 (2,229,166 Shares); and Richard Collins (808,500 Shares) and his associated entity being: Jarvis Buff N Shine Centre Pty Ltd ACN 008 089 718 (1,022,250 Shares).

Broker Code

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Adviser Code

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**THE BROKER FIRM OFFER CLOSSES 7 SEPTEMBER 2009
AT 5.00PM (AEST)**

Broker Firm Offer Application Form

Broker Firm Applicants MUST speak to their Broker for information on how to submit this Application Form and Application Monies.

This Application Form relates to the Broker Firm Offer by carsales.com Limited (carsales), Carsales SaleCo Pty Ltd (SaleCo) and the Vendor Shareholders (as defined in the Prospectus) of Shares made under a Prospectus lodged with the Australian Securities and Investments Commission on or about 17 August 2009. No Shares will be issued on the basis of the Prospectus later than 13 months after that date. Capitalised terms that are used, but not defined in this Application Form have the meanings given to them in the Prospectus.

This Application Form is important. If you are in doubt as to how to deal with it, please contact your Broker or professional adviser without delay. You should read the entire Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

PLEASE COMPLETE YOUR DETAILS BELOW

A I/we apply for

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Number of Shares applied for
(minimum of 1000 Shares (A\$3,500) and thereafter in multiples of 500 Shares (A\$1,750))

B I/we lodge full Application Monies at A\$3.50 per Share

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C Individual/Joint Applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname

Joint Applicant 2 or Account Designation

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Joint Applicant 3 or Account Designation

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D Enter your postal address - Include State, Post code

Unit	Street Number	Street Name or PO Box or other address information, if applicable

City / Suburb / Town

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State

--	--	--

Postcode

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E Enter your contact details

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Telephone Number - During Business Hours

()																		
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F CHESS Participant

Holder Identification Number (HIN)

X																			
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Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the issuer sponsored subregister.

Please note the account details below are required for processing purposes only - we are unable to directly debit funds from your account. If you have any queries, please contact the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia). You should submit this Application Form and Applications Monies in accordance with your Broker's instructions.

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque	
				A\$	

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque	
				A\$	

See back of form for completion guidelines

How to complete this Broker Firm Offer Application Form

A Shares Applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 1000 Shares. Applications for greater than 1000 Shares must be in multiples of 500 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for by the Offer Price of A\$3.50.

C Applicant name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES subregister of shareholdings and an electronic issuer sponsored subregister of shareholdings. Together the two subregisters will make up the Company's principal register of Shares. The Company will not be issuing certificates to Applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application in uncertificated form on the CHES subregister, enter your CHES HIN.

Otherwise leave the section blank and on allotment you will be sponsored by carsales and a shareholder reference number (SRN) will be allocated to you.

Please note that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN, and Shares issued will be held on the issuer sponsored subregister.

G Payment Details

If you are a Broker Firm Applicant you must speak to your Broker for information on how to pay your Application Monies.

Acceptance of the Offer

By returning this Application Form with your Application Monies to your Broker in accordance with their instructions:

- you declare that this Application is completed and lodged according to the Prospectus and acknowledge the declarations/statements on this Application Form;
- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- you declare that all details provided and statements made are complete and accurate;
- you declare that each Applicant, if a natural person, is at least 18 years old;
- you declare that you are not a US Person, nor acting for the account or benefit of any US Person;
- you represent and warrant that the law of any other place does not prohibit you from being given the Prospectus and any supplementary or replacement Prospectus or making an Application on this Application Form;

- you provide authorisation to be registered as the holder of Shares acquired by you and agree to be bound by the Constitution of carsales;
- you apply for the number of Shares set out in this Application Form and agree to be issued such number of Shares or a lesser number in accordance with the Offer;
- you acknowledge that Shares are not deposit liabilities of carsales;
- you acknowledge that the information contained in the Prospectus (or any supplementary or replacement Prospectus) is not investment advice or a recommendation that Shares are suitable for you, take into account your investment objectives, financial situation or particular needs; and
- you acknowledge that your Application to acquire Shares is irrevocable and may not be varied or withdrawn except as allowed by law.

An investment in Shares is not a deposit liability of carsales.

Lodgement Instructions

Broker Firm Applicant

If you are a Broker Firm Applicant or you have received a firm allocation of Shares from your Broker, your Application must be received by your Broker in time for them to arrange settlement on your behalf by the Closing Date of the Broker Firm Offer (as set out in Section 2 of the Prospectus). You must contact your Broker for their instructions on how to submit your Broker Firm Offer Application and Application Monies.

Computershare Investor Services Pty Limited, carsales, SaleCo, the Vendor Shareholders and the Lead Manager accept no responsibility if you do not lodge your Application Form in accordance with your Broker's instructions.

During the Offer Period, a paper copy of the Prospectus (including this Application Form) and any supplementary document will also be provided on request free of charge by calling the carsales Offer Information Line on 1800 502 461 (toll free within Australia) or +61 3 9415 4306 (outside Australia).

PRIVACY STATEMENT

Personal information is collected on this Application Form by Computershare Investor Services Pty Limited ("CIS"), as registrar for carsales, for the purpose of maintaining registers of Shareholders, facilitating dividend payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by carsales in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au.

CORRECT FORMS OF REGISTRABLE TITLE(S)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

DIRECTORS

Walter Pisciotta

Patrick O'Sullivan

Greg Roebuck

Ian Law

Richard Collins

Adrian MacKenzie

Jeffrey Browne

AUDITOR

PricewaterhouseCoopers

Freshwater Place

2 Southbank Boulevard

Southbank VIC 3006

COMPANY SECRETARIES

Cameron McIntyre

Janet Gillam

INVESTIGATING ACCOUNTANT

PricewaterhouseCoopers Securities Ltd

Freshwater Place

2 Southbank Boulevard

Southbank VIC 3006

REGISTERED OFFICE

Level 1

109 Burwood Road

Hawthorn VIC 3122

REGISTRY

Computershare Investor Services Pty Limited

452 Johnston Street

Abbotsford VIC 3067

LEAD MANAGER AND UNDERWRITER

Macquarie Capital Advisers Limited

Level 23

101 Collins Street

Melbourne VIC 3000

LEGAL ADVISERS TO THE OFFER

Arnold Bloch Leibler

Lawyers and Advisers

Level 21

333 Collins Street

Melbourne VIC 3000

THE CARSALES.COM LIMITED WEBSITE

www.carsales.com.au

SHAREHOLDER WEBSITE

<http://shareholders.carsales.com.au>

OFFER INFORMATION LINE

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+61 3 9415 4306 (outside Australia)

