Annual Report 2019

carsales.com ltd





ABN 91 074 444 018

Contents

carsales.com Ltd (ASX: CAR) is the largest online automotive, motorcycle and marine classifieds business in Australia, attracting more Australians interested in buying and selling cars, motorcycles, trucks, caravans and boats than any other group of websites.

Together with its subsidiaries employing more than 600 people in Australia and 1200 globally, carsales develops world-leading technology and advertising solutions that empower people to move freely through our marketplaces.

The carsales.com Ltd Network has operations across the world and has interests in leading automotive classifieds businesses in Brazil, South Korea, Mexico, Chile and Argentina.

Our Purpose

We **empower** people to *move freely* through our **world-leading** marketplaces.

We focus on successful outcomes for our customers

Innovation is part of our DNA

Our products and services are frictionless and we are easy to deal with

We think 'global first'

We aspire to give our customers the know-how and confidence to transact

Our team never settles and always strives for world-class customer-centric solutions

carsales is the No.1 online automotive classifieds business in Australia, with a growing global presence in Asia and Latin America.

"From an innovative disruptor to a clear industry leader - today carsales is the go-to place to buy and sell vehicles in Australia. Our growing global footprint in 11 countries with around 1200 employees positions us well for long-term sustainable growth."

carsales was established in 1997 and quickly grew to become Australia's number one online destination for buying and selling cars, motorcycles, trucks, boats, caravans and machinery. We seek to empower our customers, making buying and selling vehicles easy and convenient for everyone – consumers, dealers and manufacturers alike.

In Australia we provide a range of classified advertising services across our network of sites to dealers, consumers and corporate customers. Our offering is enhanced by our other value-added services such as software services, specification data, vehicle news and reviews, stocking and pricing tools for dealers, data and insights for all of our customers, finance, inspections, warranty and tyre products.

Our Australian classified network of sites has more inventory, more unique visitors, deeper engagement and is trusted by more consumers than any of our competitors. carsales' commercial customers are core to the strength of the business and we continue to innovate to deliver new solutions and results that support and improve the success of their businesses.

carsales built its name in Australia and today our know-how and industry leading platforms extend across the globe. We continue to broaden the reach of our operations with interests in leading classified marketplaces in high-growth, developing markets in Brazil, South Korea, Chile, Mexico and Argentina. We leverage our world-class technology and IP to accelerate the growth of our eco-systems in each market to deliver world-class customer-centric solutions which help all customers buy, sell and own with confidence.

carsales is a WGEA employer of choice and is White Ribbon accredited with a workforce of over 1200 highly talented and motivated people globally. From our origins as a technology start-up, innovation has remained a part of our DNA. It reflects our desire to be not only a global leader in terms of customer outcomes and shareholder returns, but also to be an employer of choice and a genuinely impactful corporate citizen.

Our Global Presence

We have a huge global presence and are a global leader in digital automotive advertising. Our international markets represent a massive opportunity, with 7x more cars sold in our international markets than Australia[1].

Mexico

- FTEs: 72
- c.40,000 listings
- c.3m visits per month

Chile

- FTEs: 50
- c.85,000 listings
- c.5m visits per month

China, Malaysia, Thailand & NZ

- FTEs: 32

Malaysia, Indonesia & Thailand (11.8% stake)

- FTEs: 403
- c.400,000 listings
- c.11m visits per month

Brazil (30% stake)

- FTEs: 166
- c.520,000 listings
- c.28m visits per month

Argentina

- FTEs: 39
- c.25,000 listings
- c.1m visits per month

South Korea

- FTEs: 210
- c.100,000 listings
- c.18m visits per month

Australia

- FTEs: 636[2]
- c.210,000 listings
- c.24m visits per month

1. Includes South Korea, Argentina, Brazil, Chile and Mexico. Source: New car volumes: MarkLines Automotive Portal (TSE: 3901) Used car volumes: management estimates.
2. Excludes Stratton.

All businesses 100% owned unless otherwise stated.

Our Operations

Our Global Markets

>1 billion user sessions

per annum on all carsales sites around the world[1]

>32,500 car dealer

customers around the world[3]

>850k cars for sale

around the world at any point in time[3]

5 countries

in which we have leading positions[5]

Our Australian Markets

2.47x more time

spent on carsales.com.au than nearest competitor in Australia[2]

>144,000 inspections

per annum conducted by RedBook Inspect in Australia in FY19

>90%

of Australian car dealers are on the carsales platform[4]

Most preferred

site for buying and selling cars in Australia (+378% vs nearest competitor)[6]

Our People

93%

of our people feel that our work environment is open and inclusive

85%

of our people believe that management genuinely cares about their wellbeing

Certified

as Great Place To Work® employer 2018 and 2019 Top Graduate Employer

Accredited

WGEA Employer of Choice and White Ribbon employer

1. Period: Jul-18 – Jun-19. Source Google Analytics - Includes sessions on desktop, mobi and app for the following sites: carsales.com.au, redbook.com.au, motoring.com.au, boatsales.com.au, bikesales.com.au, caravancampingsales.com.au, trucksales.com.au, constructionsales.com.au, farmmachinerysales.com.au, carfacts.com.au, carpoint.com.au, boatpoint.com.au, RedBookinspect.com.au, soloautos.mx, chileautos.cl, demotores.com.ar, encar.com and webmotors.com.br. 2. Source: Nielsen DCR, June 2019. 3. Aggregate from automotive websites in Australia, South Korea, Brazil, Mexico, Argentina and Chile as at 30 June 2019. 4. IBISWorld Motor Vehicle Dealers - Australia Market Research Report, total carsales subscribers / total dealers. 5. In countries with controlling stakes: Australia, Brazil, South Korea, Argentina and Chile. 6. Study conducted by independent research agency, Nature Pty Ltd, "market brand health tracker 2019" June 2019. You said you would go to the following for buying a new / used / selling car. If you had to choose one tomorrow, which one would you most prefer?

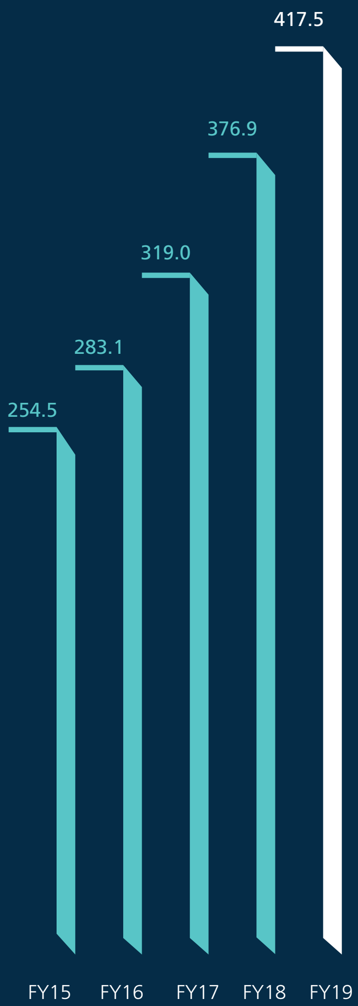
Financial Performance

Revenue**

$417.5m

up 11% year on year

CAGR 13%



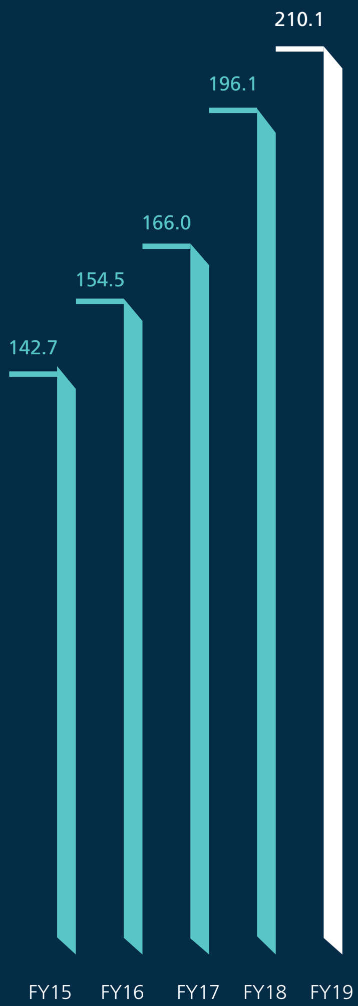
($ millions)

Adjusted EBITDA*

$210.1m

up 7% year on year

CAGR 10%



($ millions)

Adjusted NPAT*

$131.3m

up 3% year on year

CAGR 8%

($ millions)

* Adjusted EBITDA and NPAT stated above is on a continuing basis and post non-controlling interests and excludes certain non-recurring or non-cash items relating to restructuring, bad debts, financing, investments and acquired intangible amortisation.

** FY18 revenue, EBITDA and Adjusted NPAT have been restated to reflect the adoption of AASB15. FY15-FY17 figures have not been restated as the impact would not be material.

	A$ millions		Growth	
Year ended 30 June 2019	**FY19**	FY18**	$m	%
Revenue				
Online Advertising Services	**300.1**	296.8	3.3	1%
Data, Research and Services	**43.2**	42.2	1.0	2%
carsales Asia	**65.1**	29.7	35.4	119%
carsales Latin America	**9.1**	8.2	0.9	11%
Total revenue	**417.5**	376.9	40.6	11%
Total operating expenses	**(207.4)**	(180.8)	(26.6)	(15%)
Adjusted EBITDA*	**210.1**	196.1	14.0	7%
EBITDA margin	***50.3%***	*52.0%*		
Depreciation and amortisation	**(16.2)**	(11.7)	(4.5)	(38%)
EBIT	**193.9**	184.4	9.5	5%
Net finance costs	**(13.4)**	(9.7)	(3.7)	(38%)
Profit before tax	**180.5**	174.7	5.8	3%
Income tax expense	**(53.3)**	(52.5)	(0.8)	(1%)
Profits from associates	**3.7**	6.6	(2.9)	(44%)
Non-controlling interests (NCI)	**0.4**	(1.0)	N/A	N/A
Adjusted NPAT*(continuing)	**131.3**	127.8	3.5	3%
Adjustments	**2.0**	54.5	(52.5)	N/A
Reported net profit after tax (continuing)	**133.3**	182.3	(49.0)	(27%)
Reported net profit after tax (discontinued)	**(48.0)**	2.3	(50.3)	(2187%)
Adjusted earnings per share (cents)*	**53.9**	52.7	1.2	2%
Reported earnings per share from continuing operations (cents)*	**54.7**	75.2	(20.5)	(27%)

* Adjusted EBITDA and Adjusted NPAT stated above is on a continuing operations basis and post non-controlling interests and excludes certain non-recurring or non-cash items related to restructuring, bad debts, financing, investments and acquired intangible amortisation.

** FY18 revenue, EBITDA and Adjusted NPAT have been restated to reflect the adoption of AASB15.

Chair and CEO letter

Pat O'Sullivan
Non-Executive
Chair

Cameron McIntyre
Managing Director
and CEO

We are very pleased with the Company's performance and our ability to respond to challenging market conditions in order to deliver continued growth while investing for the long term. This result is testament to the strength, resilience and diversified nature of our business, as well as our investment in new products and entry into new markets.

We are pleased to report another year of solid financial performance with revenue up 11% on pcp to $417.5m. In more challenging economic conditions, our core classifieds businesses continue to perform well, with our dealer business proving resilient with 7% revenue growth on pcp. Our international companies continue to grow and we are pleased with the contributions each has made over the past 12 months.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) was up 7% to $210.1m with EBITDA margins contracting slightly to 50.3%. This performance reflects the ongoing expansion of margins in our core business, as the Company continues to utilise its operating leverage, offset by lower margins in our early stage businesses.

Adjusted Net Profit After Tax (NPAT) increased 3% to $131.3m reflecting strong returns to shareholders in a year of continued investment in the business for long-term growth.

Our Purpose and Strategy

Over the past 12 months we have refreshed our purpose and strategy to reflect the evolution of global automotive and mobility markets and focus on the opportunities that lie ahead. Our purpose, "empowering people to move freely through world-leading marketplaces" reflects both our heritage as a classified advertising business and the complementary products and services that are now vital to consumers as they make mobility choices. Our strategic evolution reflects the growing significance of our international businesses as part of the Group's operations and future as we leverage more of our Australian IP and technology globally.

Operational Performance

The continued growth of the business over the last 12 months has been particularly pleasing given the impact of challenging economic conditions on consumer sentiment during the period.

Our diverse revenue streams and ongoing commitment to developing new products and entering new markets have stood the business in good stead at a time when Australian market conditions for new vehicle sales have been adversely impacted by economic uncertainty, tightening credit availability and the impact of falling property values. At an industry level, changes to lending regulations for dealers, challenges in sourcing new car stock from Europe and car companies reducing advertising budgets have all been headwinds.

Whilst the market for new cars has been challenging, the used car market has continued to grow. During the year we recorded growth in used car lead volumes, a decline in average time to sell and excellent growth in traffic to the carsales site. This is a testament to the ongoing strength of the carsales brand as Australia's No.1 site for buying and selling cars and demonstrates the counter cyclical characteristics of our business model and strength of our diversified earnings base.

As the market leader, we have been working hard to develop new car advertising solutions for our customers. Innovation in this area has culminated in several changes to our new car advertising products which has led to a positive customer response and an increase in new car inventory on the carsales site.

Our international businesses have continued to show great progress over the past 12 months. In January last year we acquired the remaining 50.1% of SK Encar from the SK business in South Korea and since then we have helped the business define its growth agenda and potential. Webmotors in Brazil is going from strength to strength and is in an excellent position to continue to grow over the coming years. Our investments in other parts of Latin America are also progressing well as we focus on driving operational performance and move towards strengthening earnings.

The past 12 months have seen significant technology innovation and development for both our Australian and international markets. Our technology hub in Chile has continued to improve its product development capability and technical operational support (increased support outside of the normal operational hours). At the same time the business has undergone significant investment in globalising its technology platforms. We expect to see global platform parity across much of our technology from early FY20 which will be beneficial for our existing markets and enhance our ability to enter new markets.

In December 2018 we elected to write down our 50.1% investment in Stratton Finance largely due to the impact of regulatory changes in lending, the tightening of credit availability and impact that this was having on Stratton's core business.

Following a strategic review in June, the Board took the decision to treat the Stratton business as an asset held for sale on the carsales FY19 Balance Sheet. We continue to believe that the finance market is attractive in supporting our core business over the long-term and will continue to develop opportunities for customers in this part of the market in the future.

"Our international businesses have continued to show great progress over the past twelve months"

Chair and CEO letter continued

At the Annual General Meeting we announced a disappointing start to the financial year for our display advertising sales which had been partly the result of market conditions as well as our upfront trading performance. The team worked hard throughout the remainder of the year to address these challenges and it's pleasing to see this performance improve particularly in Q4 of FY19.

Board & Governance Changes

Over the past 12 months there have been a number of developments at Board level. In January 2019 Richard Collins retired as Chair of the Board after 19 years of excellent service as a Director and was replaced by Pat O'Sullivan. Pat has been a Director since 2007 and was previously the Chair of the Audit and Risk Management Committee.

As the business has continued to evolve in size and complexity the Board took the decision to establish a separate Risk Management Committee. The newly formed Risk Management Committee is now being chaired by Edwina Gilbert.

In May 2019 we announced the appointment to the Board of David Wiadrowski. David brings to carsales 25 years of experience with PricewaterhouseCoopers where he had a focus on technology, infocoms, entertainment and media and was the lead audit partner for a number of major media companies. David was appointed to the position of Chair of the Audit Committee in May 2019.

People & Culture

Our people and culture have always been critical to the business' success. Our staff turnover levels have remained at near record lows and staff engagement measures have continued to be strong, as demonstrated by our Great Place To Work® certification in July this year.

The success and popularity of the carsales Graduate Program has continued this year as demonstrated by more than 1,000 applications being received for four positions available. Pleasingly, the Company was ranked fourth on the AAGE (Australian Association of Graduate Employers) Top Graduate Employers list for 2019 after only our first year of running the graduate program.

As a business we pride ourselves on our inclusive work environment. In fact 93% of our people feel that our work environment is open, inclusive and that we accept individual difference. This inclusiveness is not only important to our culture but provides us with a distinct competitive advantage in attracting and retaining talent. Aside from our ongoing WGEA Employer of Choice accreditation, we also became proud members of Welcome Here and Inclusive Australia in 2019.

Driving greater employee engagement with our strategy and purpose was identified as a key priority during the year. The Executive Leadership Team led a campaign to engage employees on our strategic program called GPS2022 which included focusing on the things that are important to us as an organisation as well as where we see ourselves in the future.

As part of the journey to becoming a truly global company this year we included the international businesses in our CEO Scholarship awards and Employee Opinion Surveys (EOS) and launched a global code of conduct and a whistle-blower policy to ensure that we maintain the high standards of our organisation at a global level.

Debt & Capital Management

The Company regularly reviews its capital structure to ensure we are maximising shareholder returns. The Group's $545m debt funding facility provides significant flexibility when considering future capital management opportunities as well as corporate development. The Board has declared a final FY19 dividend payment of 25.0 cents per share fully franked, bringing the total FY19 dividends to 45.5 cents per share and representing an increase year on year of 3%. The Board believes that the current dividend payout ratio of 85% reflects an appropriate balance between profit distribution to shareholders and reinvestment in the future growth in earnings.

Towards a Successful FY20

FY20 promises to be another year of significant opportunity for carsales. We anticipate that the Company will continue to perform strongly and are confident that it is well placed for future growth. This is a direct result of the passion, talent and dedication of our people and we would like to publicly thank each and every one of you for what you bring to our business each day.

Finally, on behalf of the Board we would like to thank all of our customers, partners and shareholders around the world for their support and engagement over the past 12 months and we look forward to working with you all in FY20.

Pat O'Sullivan
Non-Executive Chair

Cameron McIntyre
Managing Director
and CEO

Our Strategy

OUR PURPOSE

Empower people to move freely through our world-leading marketplaces

OUR STRATEGIC PILLARS

Digital marketplaces
To grow our leadership in digital automotive classified solutions globally for our consumer and commercial customers

Value-added services
To build a compelling ecosystem of services that support dealers, OEMs, corporate customers and private consumers through the buying, selling and ownership of vehicles

Future horizons
As the automotive markets evolve we seek opportunities for growth

OUR ENABLERS

Data
Be a 'best-in-class' data-driven company, using our unrivalled data and analytics to help customers maximize outcomes and grow their businesses

People
To be an employer of choice and destination for talent by continuously evolving our culture of inclusion, learning, leadership, performance and passion

Technology
To build world-class global platform-based software services that exceed the expectations of our customers

OUR UNIQUE CULTURE

Our DNA
Innovation I Simplicity I Customer focus

Our Values
Enjoyment I Respect I Integrity
Communication I Honesty

OUR CHOSEN GEOGRAPHIC MARKETS

Australia I South Korea I Brazil I Mexico I Chile I Argentina

Our Australian Business

carsales is the leader in digital automotive advertising in Australia, which is reinforced by value-added services that keep us at the forefront of customers' minds.

Customer Groups	Reporting Segments	Key customers	FY19 revenue (A$m)	Key Products and Services
Commercial	Online Classifieds: Dealer	Dealers	154	Dealer classified products: new and used vehicle subscriptions, enquiries, listings. Dealer depth premium listing products.
	Online Classifieds: Display	Dealers, OEM and corporates	64	Non-classified advertising products: sponsorship banner advertising, native products, sponsored content, video, finance and insurance.
	Data, Research & Services	Dealers, OEM	43	RedBook, carfacts, LiveMarket pricing tools, dealer services product suite.
Consumer	Online Classifieds: Private	Consumers	82	Private seller classified products: standard and premium listings, Instant Offer, tyresales, RedBook Inspect.

Key Brands

Enquiry by Source[1]

26%
sms

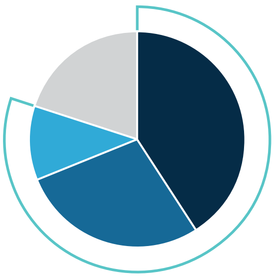
30%
phone calls

44%
email

Traffic by device[1]

20%
desktop

11%
andriod app



41%
mobile

28%
IOS app

80% of the traffic to carsales was via a mobile device

Key carsales Australia stats

▲18% YoY
27,256,241
sessions[1]

▲21% YoY
7,590,087
users[1]

▲16% YoY
438,335,581
page views[1]

▲81% YoY
2,048,710
editorial sessions[1]

197,603,937
total minutes spent on site[1]

1. carsales internal data (Google Analytics), Q4 2019

Our Australian Commercial Business

Commercial key stats

Over 6,000	dealer customers across the carsales Network
Over 90%	of Australian car dealers use carsales to advertise vehicles[1]
21 billion	ad impressions are delivered by the carsales Network each year
Every minute	we list a car for a dealer

1. IBISWorld Motor Vehicle Dealers – Australia Market Research Report, total carsales subscribers/total dealers

FY20 Commercial Opportunities

NEW CAR

Optimising our new car offerings that support the needs of both customers & consumers in their new car buying experience.

NATIVE & VIDEO

Focus on native, audience and video products delivering new opportunities to connect with our engaged audience, particularly on mobile devices.

SALES EFFECTIVENESS

Enhancing our operations through increased automation & programmatic platforms along with self service and enhanced attribution and ROI to demonstrate how we best get results for our clients.

The Commercial business delivered pleasing revenue growth over the period in some of the most challenging market conditions in the business' history. New vehicle sales declined industry wide by 8% in the 12 months to June 2019 reflecting tightened credit availability, changes to lending regulations for dealers, as well as some new car stock import challenges. However, as is typically the case, when new car sales were challenged, dealer used car sales were buoyant as consumers seek better value vehicle options. This reflects the counter cyclical characteristics of our core business model and strong diversification of our earnings base.

The used dealer business delivered a robust performance with solid growth in used car lead volumes together with a decline in average time to sell driving 7% pcp revenue growth in the dealer segment. The launch of our depth automation product – which helps boost efficiency and save time for dealers promoting their stock online – was well received by the market with an overall 8% growth in average monthly active depth users/subscribers on pcp. However, overall depth revenue growth was impacted in the second half by dealers moderating their discretionary marketing spend in response to the challenging economic conditions. Around 20% of our dealer ads are depth, with plenty of runway for further growth ahead.

DEALER PRODUCTS

Drive increased depth product penetration rates by demonstrating ROI and launching new dealer finance product.

OEM

Stronger OEM relationships with solutions tailored to deliver value through brand engagement, enquiries & sales.

Our Australian Commercial Business continued

As an innovative market leader and utilising customer feedback, we launched a range of refreshed new car advertising solutions for our customers during the year, with more to come in FY20. These solutions will attract more new car inventory onto carsales and enable dealers to highlight the reasons to buy from their dealership. Dealer and OEM response has been positive and we have seen an increase in new car inventory on the carsales site since the products were launched.

Our display business had a challenging year with revenue down 13% on pcp which was partly the result of market conditions as well as our upfront trading performance earlier in the year. The appointment of Simon Ryan as Managing Director Commercial Business in February 2019 provided a good opportunity to assess our product capability, restructure the team and drive new and better outcomes for advertisers. Despite car companies reducing advertising budgets more aggressively in the second half, the ability of the team to adjust and pivot our strategies enabled us to achieve better commercial outcomes, particularly in the fourth quarter. As an example of this, the evolution of display into video, programmatic, sponsored content and new customer personalisation will support carsales' leadership position and create new levels of customer interest and satisfaction in what is a highly visited platform.

The Commercial team has focused heavily on what success looks like and how we get there. Understanding the potential for growth and working closely as a team means we remain focused on maximising outcomes for our customers, clients and partners in the year ahead.

Dealer Customers – Products and Solutions

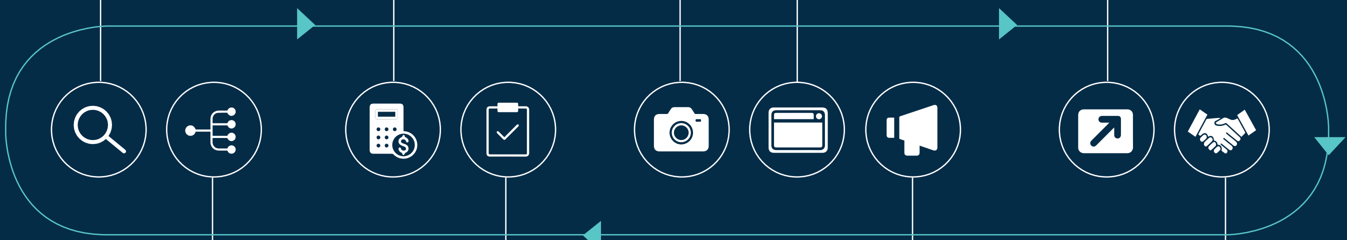
Find Great Stock
Instant Offer
LiveTrade

Appraisal and Pricing Tools
LiveMarket
Appraisal Solutions

Photography
Photography carsales Image Library User generated video

Publish to Site
Publish your stock to carsales.com.au and other sites (including dealer's own sites)

Promote Your Dealership
Main Event packages
Display Advertising and Audience 360
Website Templates



Lead Management
AutoGate
AutoGate Pro

Inventory Management
AutoGate
AutoGate Pro

Boost Your Stock's Reach
Ultimate Boost, Top Spot, Showcase, Top Deal and Multi List

Build Buyer Trust
RedBook Inspect mobile inspections
carfacts history reports

Our Australian Consumer Business

Consumer key stats

6 million	members across the carsales Network
1.2 million	unique vehicle listings per year
378%[1]	most preferred site to buy and sell – more than our nearest competitor
9.7 million	minutes of viewed video content in FY19

1. Study conducted by independent research agency, Nature Pty Ltd, "market brand health tracker 2019" June 2019. You said you would go to the following for buying a new / used / selling car. If you had to choose one tomorrow, which one would you most prefer?

FY20 Consumer Opportunities

PRIVATE SELLER

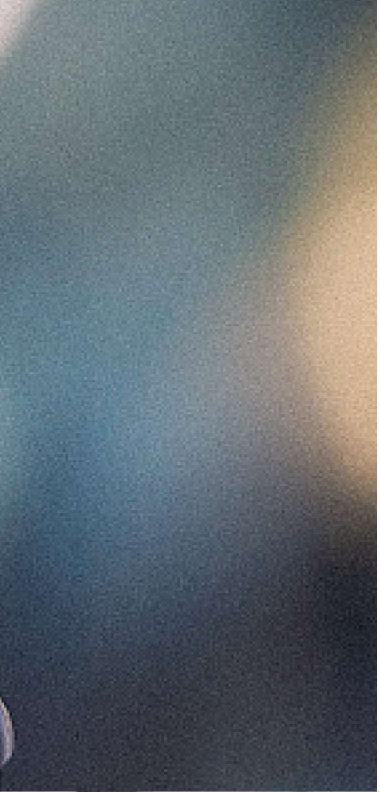
Continue optimising our private seller tiers and premium ad products to drive improved penetration and yield.

MEMBERSHIP

Increase our personalised content available to members and leverage the services of our adjacent businesses to reduce friction in the buy/sell process.

INSTANT OFFER

Continue to optimise the Instant Offer process and continue to grow our partner base to drive increased transaction volume.



Our goal is to facilitate a frictionless buying, selling and ownership experience for our consumers. carsales has the largest and most engaged audience with over 23 million unique visitors each month and is Australia's most trusted automotive marketplace.

Notwithstanding tough market conditions we grew our carsales traffic by over 10% year on year whilst also improving the effectiveness of our marketing spend. We continued to remain visible at some of Australia's most watched sporting events (State of Origin, AFL, Big Bash League) and continued our ambassador relationship with Daniel Ricciardo.

Overall private revenue growth at 4% on pcp reflected solid underlying core private ads revenue growth, offset by more tempered growth in our lower margin adjacent services such as tyresales and RedBook Inspect. Private core ads continued to perform well with the ongoing optimisation of tiering and increased premium ad penetration delivering revenue growth. We launched our user generated video product during the year allowing consumers (and dealers) to include video on their listings as a further way to differentiate and promote their vehicle to buyers.

TYRESALES

Continue to build breadth and scale through improved conversion rates and focus on product margins.

INSPECTIONS

Leverage our investment in technology and capability to broaden the scale and scope of inspection services provided.

Our Australian Consumer Business continued

Our Instant Offer product, which provides consumers a hassle-free way to sell or dispose of their vehicle quickly, evolved across the year and the introduction of more purchasing partners in the second half of the year saw strong pcp volume and revenue growth.

carsales has a range of other services to provide confidence to buyers and our carfacts and warranty products continued to perform well this year. Our RedBook Inspect business provides a range of inspection services from ridesharing inspections to pre-purchase inspections for consumers and dealers and delivered comparable revenue to FY18. The mix of inspections changed over the year as ridesharing inspections were impacted by policy changes at major ridesharing companies. This was offset by pleasing growth in consumer vehicle inspections. We have continued to invest in our inspection technology and capability and are well positioned to deliver improved efficiency and future growth.

tyresales' revenue growth slowed as we work to optimise conversion rates to reduce reliance on short-term pricing initiatives to win market share. The passenger tyre market is worth over $4 billion in Australia and there are several new supply arrangements in the pipeline that will allow us to bring back strong growth to this business in the coming year.

We recently announced a partnership with Viva Energy Australia (a Shell Licensee) to give discounts to carsales members on fuel purchases, which we expect to launch in the coming months. This is part of our ongoing effort to strengthen our member value proposition for our 6 million plus members, alongside increasing personalisation and value where consumers add their cars to the carsales garage.

We connect buyers and sellers through frictionless marketplaces and marketing solutions

Buyer requirements

Best content for research.

Highest quality inventory with the widest selection.

Trust and safety tools to instil confidence in the purchase.

Price indicators to know when a great deal is on offer.

Compelling finance deals.

Owner requirements

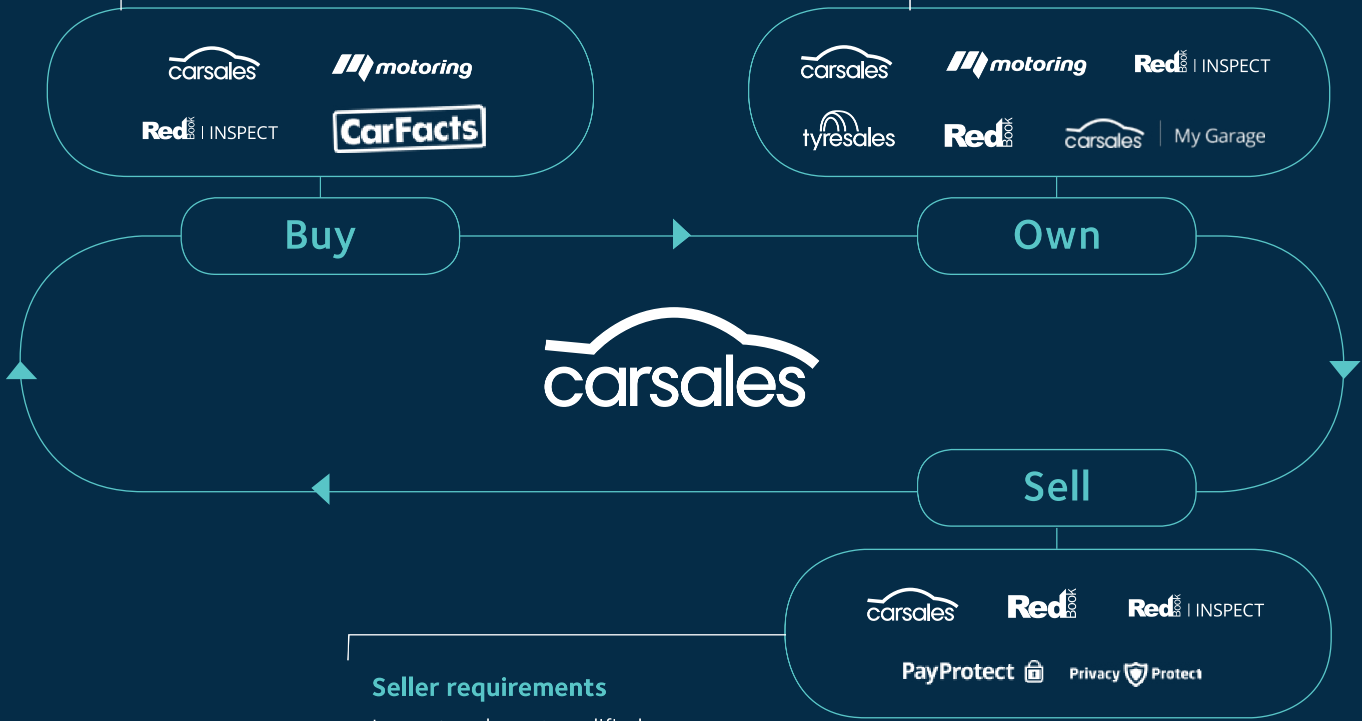
Real-time and accurate car valuation.

Extended warranties.

Best deals on new tyres and fitment.

Next car recommendations.

Monitor due dates for periodic requirements such as registration and insurance.



Seller requirements

Largest and most qualified in-market audience.

Choice to sell to the wholesale or retail market to maximise speed or price.

Tools to price accurately.

Protect personal information.

Secure payment options.

Our International Businesses

International key stats

4 countries (excl. Australia)	in No.1 position
25%	listings volume growth year on year
8%	lead volume growth year on year
39%	look through revenue growth

"FY19 saw the Group taking transformational steps into becoming a truly global business"

We are delivering on our international growth strategy with strong financial performance and improved operational metrics across the international portfolio.

Our focus remains on clear market leadership for our digital marketplaces in each geography leveraging our Australian technology and IP coupled with a strong country presence. As each business matures, we continue to rollout value-added services to further reinforce our market position and grow earnings.

As our first international acquisition (as a hands-on, strategic partner), Webmotors in Brazil has benefitted greatly from carsales. This continues to be the case as the business model and product suite evolve and through a great relationship with our partner Banco Santander the platform establishes itself as the number one auto classifieds vertical in Brazil.

Webmotors is a clear role model for our majority owned Latin American businesses to follow.

FY19 was our first full year of owning 100% of the SK Encar business in South Korea. A focus on maintaining the winning SK Encar culture along with introducing more of the proven carsales IP and technology has supported Encar's clear position as the number one auto vertical platform. The business performed particularly well against the backdrop of a softer economy in the second half and was supported by growth in the SK Encar's 'Guaranteed' inspection products, which have continued to drive revenue growth and increase trust between consumers and dealers in the marketplace.

In December 2018, we purchased the remaining 17% of chileautos to consolidate our ownership to 100%. We are continuing to focus on investing in the business to enable it to further strengthen its leadership position.

FY19 saw the continued implementation of our global technology platform into our Latin American businesses. Technologies such as CallConnect and products such as membership features have been rolled out to our Latin American businesses, helping them to take further advantage of being on the carsales platform. These businesses will gain a unique advantage over their competitors as this work towards global platform parity continues.

As a truly global business we remain focused on the integration of carsales' back office functions into our wholly-owned international subsidiaries. Marketing led the way during the year by producing global marketing strategies that could be deployed in any country. To help accommodate this we saw the re-branding of businesses in Mexico (soloautos) and Argentina (Demotores) to the "carsales blue" accompanied by the "carsales swish". In addition our Australian-based People & Culture team introduced our Employment Opinion Survey (EOS) into Mexico, Chile and Argentina as part of our efforts to embed the carsales culture globally. The results so far have been fantastic.

We continue to look for opportunities to build our portfolio of international assets. Our international strategy is still in its early stages. With a clear criteria for entering new markets and experience in leveraging and integrating the carsales IP with other platforms, we will continue to invest in our portfolio to deliver sustainable growth and strong shareholder returns for the long term.

Our International investment strategy

01.

Establish clear leading position

- Increase sustainable quality audience and traffic through SEO optimisation and brand marketing
- Deploy key technology programs to drive optimal consumer and dealer user experience
- Aggressive dealer acquisition resulting in increased listing volumes
- Pursue local complementary partner integrations e.g. finance, insurance

demotores.com

soloautos.mx

02.

Monetise and extend clear leading position

- Educate and articulate value to dealers and drive focus on conversion from lead to sale
- Rapid increase in penetration of key dealer and OEM products
- Regional expansion
- Expand profitability via scalable revenue growth

iCarAsia

chileautos.cl

SK encar

WebMotors

03.

Leverage clear leading position

- Yield growth through premium products that drive ROI for dealers and consumers
- Optimise adjacency strategy to drive additional growth
- Achieve 55%+ EBITDA margins via scalable growth

carsales

SB Kim
CEO | South Korea

carsales position	GDP (AUD trillion)[1]	Population (m)[1]	Automotive classifieds spend ($bn)[2]	Annual car sales (m)[3]	Implied market opportunity (A$m)[4]	Potential revenue opportunity[4] vs FY19
#1	2.38	51	0.5+	5.8	388	7 x

This was Encar's first full year as a subsidiary of carsales after four years of joint venture with the SK Group in Korea.

The Korean auto classifieds market has great growth potential, given the large domestic automotive market. This potential has not yet been fully realised due to the unique market dynamics including regulations separating the distribution channels of new cars and used cars, leading to a highly fragmented used car dealership landscape, and strong domestic OEM players such as Hyundai and Kia.

In FY19 we focused on addressing trust in the used car market by introducing an industry-wide innovative product called "Guaranteed," which verifies and photographs dealer vehicles so consumers can purchase with confidence. This contributed to the delivery of underlying local currency revenue growth of 13%. The business continues to build scale with dealers and OEMs as the market opportunity is addressed despite more challenging economic conditions in the second half.

We will maintain our clear market leadership by continuing to innovate and deliver more value-added services. Operationally, we migrated to an agile production system and process and introduced a more transparent and performance-driven management scheme.

With the lessons we have learned throughout FY19, the team is excited that by bringing together carsales' world-class global know-how and Encar's insights into the local Korean market we will be able to achieve strong growth in the years ahead.

Inés Guitarte
CEO | Argentina

carsales position	GDP (AUD trillion)[1]	Population (m)[1]	Automotive classifieds spend ($bn)[2]	Annual car sales (m)[3]	Implied market opportunity (A$m)[4]	Potential revenue opportunity[4] vs FY19
#1	0.76	44	0.8+	2.8	124	56 x

It has been two years since carsales acquired the Demotores business, which is now the clear No.1 auto classified vertical in Argentina with the highest quality traffic and inventory.

While the Argentinian economy is going through a challenging period with hyperinflation and the new car market contracting, the delivery of 13% pcp revenue growth was very pleasing.

During the year Demotores delivered a new user experience across mobile and app (including rebranding to carsales colours) as well as implementing the carsales private seller technology platform. On the dealer side, we launched campus, our dealer digital training program and our unique tools such as CallConnect and dealer surveys. Media agencies and OEMs provide consistent feedback that Demotores is the best auto option for branding and performance campaigns.

These enhancements were delivered alongside investment in our offices, the commencement of training programs for our employees and communicating our brand values to our teams.

Demotores has achieved a great deal with plenty more to come. We're ready and excited to see the Demotores business continue its growth in the years ahead.

1. Source: World Bank
2. Source: management estimates
3. Source: New Car: MarkLines Automotive Portal (TSE: 3901)
4. International revenue opportunity based on replicating core carsales' Australian share of Australian GDP

Eduardo Jurcevic
CEO | Brazil

carsales position	GDP (AUD trillion)[1]	Population (m)[1]	Automotive classifieds spend ($bn)[2]	Annual car sales (m)[3]	Implied market opportunity (A$m)[4]	Potential revenue opportunity[4] vs FY19
#1	2.76	209	2.0+	13.3	446	9 x

Total inventory of over 520,000, 9 million monthly unique visitors and over 13,000 dealers are some of the all-time highest operational metrics achieved by the Webmotors business in the last year, illustrating our strong and growing trajectory. This delivered strong revenue growth of 35% in FY19.

A refreshed user experience launched in April 2018 supported by a strong marketing campaign has provided a much better user experience and delivered higher levels of credit conversion and dealer leads.

We also released Cockpit and CRM Smart, two important tools that brought a full CRM to our dealers, integrating in just one place all the information relative to their stock, leads and close market competitors. We continue to develop and deploy high end intelligence solutions to our dealers, supporting them to make the best business decisions.

In terms of our commercial offer to dealers, we innovated with Hot Deals (locally called Feirões), a promotion to buyers via an online and offline campaign that offers better financial conditions (in a partnership with Banco Santander) valid for specific periods of the year.

In the year ahead, we will keep working on new solutions for our users aligned to a rapidly changing market. We expect to strengthen our brand awareness and audience in more remote areas of the country to further consolidate our position as the clear No.1 auto classified site in Brazil.

Andres Cooper
CEO | Chile

carsales position	GDP (AUD trillion)[1]	Population (m)[1]	Automotive classifieds spend ($bn)[2]	Annual car sales (m)[3]	Implied market opportunity (A$m)[4]	Potential revenue opportunity[4] vs FY19
#1	0.44	18	0.3+	1.5	72	15 x

This year we reached record numbers in our business: more than 1,000 dealers on the platform, more than 91,000 vehicles available for sale and revenues increased by 17% on pcp.

As the clear No.1 auto classified site in Chile we maintain and grow our leadership position by delivering a quality service to our customers and delivering world-class technologies, which is something we are doing with carsales' support.

A new mobile user experience was implemented during the year as well as CallConnect, LiveMarket and vehicle inspection products designed to give more transparency to consumers. We also provided more inventory management and lead management tools to automotive companies and have grown relationships with industry leaders, with whom we are able to share our business vision.

We have ambitious growth plans for the years ahead. Through new products (Instant Offer, University, depth products, among others) we will continue to create value for our clients and enable them to offer a more comprehensive and competitive service.

Matt Earle
CEO | Mexico

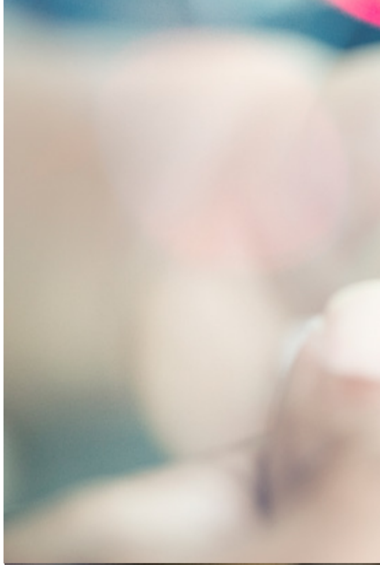
carsales position	GDP (AUD trillion)[1]	Population (m)[1]	Automotive classifieds spend ($bn)[2]	Annual car sales (m)[3]	Implied market opportunity (A$m)[4]	Potential revenue opportunity[4] vs FY19
#2	1.81	129	0.8+	5.0	293	266 x

FY19 was a pleasing year for soloautos with strong growth in revenue of 64% on pcp. We made significant progress in implementing and executing on key projects as we continue to move towards our stated goal of becoming the clear No.1 auto classified site in Mexico.

soloautos continues to improve its key operational metrics of traffic, inventory and leads. The focus continues to be on quality, which we believe distinguishes us in the market and which our clients and consumers continue to value highly. During the year we released new dealer packages including new products, services and pricing. These were well received by our dealer network, which continues to grow, with record levels of paying dealers. Our display business has grown supported by marketing campaigns and the integration of carsales IP and technology.

The market in Mexico is still relatively immature from an online adoption perspective and is highly competitive. Nevertheless, we believe the long-term potential is immense and will continue to invest in providing the best experience for our commercial and consumer customers.

Future Horizons



A number of 'mega-trends' will shape the transport sector in the medium to long term...

ELECTRIC VEHICLES

AUTONOMOUS VEHICLES

SHARED VEHICLES

ON-DEMAND SERVICES

... and carsales is uniquely positioned to respond to and benefit from these trends.

As one of Australia's original technology disruptors, we have a clear appreciation of the need to be ready to exploit the opportunities of the future as global mega-trends begin to influence our markets.

There are a number of global mega-trends that will have a profound impact on how the world thinks about mobility and transportation over the next 50 years and our business is well placed to take advantage of these changes.

The most obvious and immediate change is the shift towards electric vehicles which comprise around 1% of our total Australian onsite inventory (hybrid and pure electric vehicles) and about 4% of Australian new car sales in June 2019. Our core products and services stand to benefit from the consumer demand towards these vehicles as we provide a clear comparison between all of the available vehicles types and technologies in the market, whether new or used, fossil fuel, electric or hybrid.

Autonomy in vehicles is still in its infancy, although many new vehicles incorporate basic autonomous functions such as adaptive cruise control and lane keeping assist. As these technologies become more common, we expect consumer demand for vehicles with those features to increase, leading to greater transaction volume in the market place as safety conscious consumers look to upgrade their vehicles. Fully autonomous 'door-to-door' capability in vehicles remains the ultimate goal for the automotive industry but on current progress it will take many decades to become the most common vehicle type on our roads.

The sharing economy and on-demand services are changing old business models, such as ridesharing companies disrupting the taxi industry, but are not yet changing the dynamics of traditional car ownership in our markets. Car subscriptions are being trialled by OEMs in selected markets to test consumer appetite and tailor the business model for potential wider mass-market launch in years to come. As an aggregator of inventory, carsales is well positioned to take advantage of these shifts, allowing consumers to cross-shop the existing and future models of car ownership/usage against each other across various manufacturers.

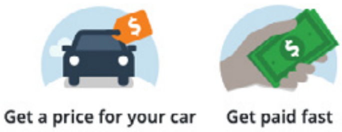
We are constantly investing in our future and in future technologies. Our early-stage investments in businesses such as PromisePay and RateSetter are bearing fruit for the business today. Our investment in new technologies and programs like voice search, big data, blockchain, Artificial Intelligence, machine learning and the Stanford Cities of the Future program play a part in our future as we seek to create a truly frictionless experience in buying, selling and using vehicles.

No other business has the strength of trusted relationships with consumers, manufacturers, dealers, financiers and insurers that we have. While the long-term future for carsales may not be only about buying and selling cars, the Company will continue to be at the forefront of new trends and be central to the way people interact with mobility and transportation.

Data and Innovation at carsales

Data is core to our business. Vehicle specification data powers our RedBook business, our real time vehicle inventory data powers our LiveMarket pricing tool and our onsite activity from our audience enables our non-classified advertising products, site personalisation and user tailored marketing efforts. We are only scratching the surface of what is possible with our data assets to enhance our existing products and services and develop new ways to provide value to our customers.

Innovation is part of our DNA. The world-leading technology that underpins our platforms is built by a team of over 180 passionate developers globally and enables us to leverage our data assets and market position to drive superior outcomes for customers. FY19 has been a year where we have continued to raise the bar on innovation with a number of exciting new initiatives and products being rolled out.



Instant Offer

Instant Offer prices consumer vehicles in real time based on market conditions and our data to make the consumer an offer to purchase the vehicle. The Instant Offer process was substantially improved during the year, including more sophisticated pricing algorithms and the introduction of more purchasing partners.

Video products

A number of new video products were released this year including native ad video units throughout our sites, deeper editorial video content integration onto listings and user generated video available to dealers and private sellers to augment their vehicle listings.

Member Centre & fuel

Our Member Centre is our one-stop shop for our consumers to manage their enquiries, save cars and searches as well as pricing information about their current car. In FY20 we will be launching a partnership with Viva Energy Australia, a Shell Licensee, to provide fuel discounts to our members which will drive further engagement with our audience.

RedBook Inspect Technology

Our RedBook Inspect business has invested heavily in technology to improve the quality and efficiency of the inspection process. Over time we expect this technology to be deployed outside of the existing inspections business to address growth opportunities such as self-inspections.

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Operational and Financial Review

Principle Activities

carsales is the Australian automotive classified market leader and facilitates anyone to buy and sell a car, bike, boat, caravan and much more across our network of sites.

Our key services, customers and geographies for continuing operations include:

Online Advertising Services

carsales Online Advertising Services can be broken into two key product sets – classified advertising and display advertising services.

Classified advertising allows customers (including dealers and consumers) to advertise automotive and non-automotive goods and services for sale across the carsales Network. Classified advertising typically allows a customer to advertise their red brand X, model Y car with 20,000km for $10,000 on a carsales Network website. This segment includes services such as subscriptions, lead fees and priority placement services (depth products) across automotive and non-automotive websites.

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

Online advertising includes carsales' investment in tyresales.com.au which is an online tyre retailer that allows consumers to transact and purchase tyres; and RedBook Inspect which provides inspection services to a range of corporate and private consumers which may be published online as part of classified advertisements.

Data, Research and Services

The carsales divisions of RedBook, LiveMarket, DataMotive and DataMotive Business Intelligence provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies, and finance and insurance companies. They offer products including software, analysis, research and reporting, valuation services, website development and hosting as well as photography services. This segment also includes display and consumer advertising related to these divisions.

International

carsales has operations in overseas countries through subsidiaries, equity accounted associate investments and financial assets at fair value through other comprehensive income as set out below (subsidiaries unless otherwise stated):

carsales Asia

Online Automotive Classifieds:

- SK ENCARSALES.COM Ltd (operations in South Korea) – 100%
- iCar Asia Limited (operations in Indonesia, Malaysia and Thailand) – 11.8% financial asset at fair value through other comprehensive income

Automotive Data Services:

- Auto Information Limited (New Zealand) – 100%
- RedBook Automotive Services (M) Sdn Bhd (Malaysia) – 100%
- RedBook Automotive Data Services (Beijing) Limited (China) – 100%
- Automotive Data Services (Thailand) Company Limited – 100%

carsales Latin America

Online Automotive Classifieds:

- Webmotors S.A. (operations in Brazil) - 30% (equity accounted)
- carsales Mexico SAPI de CV (soloautos) (operations in Mexico) - 100%
- Chileautos SpA (operations in Chile) – 100%
- Demotores Chile SpA (operations in Chile) – 100%
- Demotores S.A. (operations in Argentina) – 100%

Other Equity Investments

In addition the Group has small stakes in other equity investments which includes the equity accounted associates RateSetter Australia Pty Ltd and financial asset accounted investment PromisePay Pte Ltd, both of which provide innovative fintech products to consumer and commercial customers.

Finance and Related Services – Discontinued Operations

The previously disclosed Finance and Related Services Segment includes the Stratton Finance Pty Ltd subsidiary, which provides innovative finance arrangements for vehicles, boats, other leisure items, vehicle procurement and other related services to customers. Revenues arise from commissions paid by finance providers and other related service providers. The Group announced in June 2019 that it is conducting a strategic review and pursuing the sale of its 50.1% interest in Stratton. Timing of a potential sale of carsales' interest in Stratton will be determined following the completion of the strategic review, but is expected to be within 12 months, and hence the results of Stratton have been presented as a discontinued operation.

Group Financial Results

The Group delivered a pleasing financial performance in FY19 against a backdrop of challenging economic conditions during the period. With new car sales down 8% year on year, Australian market conditions were affected by economic uncertainty, tightening credit availability and the impact of falling property values while economic softness had an impact on some of our International markets such as Argentina and South Korea. Our core domestic business performed well over the period with used car volumes being resilient and we continued to strengthen our domestic market position and deliver on key growth initiatives in core digital advertising and data services and complementary value-added services. The period also saw continued progress in our International markets with improvements across key financial and operational metrics.

Group operating revenue from continuing operations increased 11% to $417.5m on the prior comparative period (pcp). Group earnings remained solid with adjusted EBITDA from continuing operations up 7% on pcp to $210.1m and EBITDA margins of 50.3%. Adjusted NPAT from continuing operations attributable to the owners of carsales.com Ltd was $131.3m, up 3% on pcp. Reported NPAT attributable to the owners of carsales.com Ltd was $85.3m, down $99.3m on pcp, principally reflecting the fair value gain recorded on the step acquisition of the remaining 50.1% of SK Encar in FY18 and the impairment recorded against the carrying value of the investment in Stratton in FY19.

The Directors believe the additional information on International Financial Reporting Standards (IFRS) measures included in this report is relevant and useful in measuring the financial performance of the Group. In particular, the presentation of 'adjusted EBITDA', 'adjusted net profit' and 'adjusted earnings per share' provides the best measure to assess the performance of the Group by excluding certain non-recurring or non-cash items relating to restructuring, financing, investments and acquired intangible amortisation from the reported IFRS measures. A reconciliation of reported net profit to adjusted net profit is set out in Note 7.

carsales Domestic Highlights

Core domestic segments of Online Advertising Services and Data, Research and Services delivered revenue growth of 1% and 2% respectively, reflecting a solid performance from core dealer and private ad products, offset by weaker performance in the display business.

Online Advertising Services

- Dealer revenue was up 7% on pcp to $153.9m reflecting both solid growth in revenue from traditional transactional revenue products (subscriptions, leads and listings) as well as continued growth in the demand for premium listing and depth products. Used enquiry volume remained resilient in a declining new car market reflecting the strong value proposition for consumers of used cars. The launch of our promote automation product made it easier for dealers to purchase depth products during the year.
- Private revenue was up 4% on pcp to $82.1m reflecting solid growth from yield enhancements in core private online ads, which benefited from the continued optimisation of price tiers and an increase in the take up of premium listing products. Time to sell for private sellers continues to reduce year on year, supporting carsales' value proposition. Overall revenue growth in private was tempered by lower revenue growth in our adjacent businesses of tyresales, which focused on testing new pricing strategies in the year to improve margins, and RedBook Inspect which reduced its reliance on lower margin rideshare inspections.
- Display revenue was down 13% to $64.1m which reflected challenging market conditions in the auto advertising market, with new car sales down 8% on pcp causing OEM customers to reduce marketing budgets over the year. Operational performance improved over the year with a restructured team, refreshed go-to-market strategy and the launch of new products delivering benefits. The launch of our new car products and enhanced video product suite in the second half of FY19 leaves the business well positioned for growth as the market cycle turns.

Data, Research and Services

Data, Research and Services revenue was up 2% to $43.2m. There was continued demand for our Data, Research and Services from OEMs, dealers and corporate customers, with the business drawing on its investments in data and analytics to address changing customer needs in an increasingly data driven market place. There was continued solid growth from our trust products, including carfacts and warranty, as our core RedBook business continued to grow volume and yield. Overall revenue growth was impacted by the reduction in low margin revenue products and contracts in the year, which were removed from some product bundles with little impact to the segment's profitability.

Domestic Operations

Costs were well controlled across the business leading to Adjusted EBITDA up 7% on pcp to $210.1m. Adjusted EBITDA margins declined slightly from 52.0% to 50.3% reflecting the profitability of lower margin adjacent services, particularly tyresales and RedBook Inspect. Underlying core domestic business margins improved 1% on pcp. Reported EBITDA was $205.2m with the Group incurring one-off costs for restructuring and FY18 bad debt write-offs relating to the implementation of a new ERP system, totalling $4.9m.

Depreciation and amortisation increased by $8.7m on the prior period reflecting acquired intangible asset amortisation and depreciation of capitalised labour supporting Group wide integration and globalisation projects. Net finance costs fell by $3.8m to $2.6m driven by gains on non-cash non-controlling interests option fair value movements partly offset by increased cash interest costs on higher average debt levels through the year after the acquisition of the remaining 50.1% of SK Encar in January 2018.

carsales International Highlights

carsales holds a number of investments across the Latin American and Asian regions. The International business segments in total contributed $74.2m to Group revenue – up 96% on the prior year.

carsales Asia

The major investment in the Asian region is in South Korea (SK Encar) which was 49.9% owned by the Group until January 2018 when the remaining 50.1% of the business was acquired for $243m and the business became a subsidiary. SK Encar delivered a solid result with FY19 underlying local currency revenue growth of 13% on pcp and EBITDA growth on pcp of 13%. The growth of the guaranteed inspection product was a highlight of the year, with a number of new branches opened to support growth outside of the main cities.

Display growth also continued as the business obtained additional share of media spend from OEM and finance and insurance clients. The Company also operates its RedBook data business throughout Asia which showed solid revenue growth of 9% on pcp.

carsales Latin America

The Group's largest investment in the Latin America region is in Brazil (Webmotors) where the Group owns a 30% stake in Webmotors. In FY19 Webmotors recorded very strong growth in underlying local currency full year revenue and EBITDA of 35% and 54% on pcp respectively, supported by improving economic conditions and dealer education regarding the value of Webmotors premium offerings. The Company also holds controlling interests in online automotive advertising companies operating in Mexico, Chile and Argentina which positions carsales as the number one automotive classified network across Latin America.

Given the significant opportunity in this region, our focus is to grow market leadership and strengthen product and technology capabilities through implementation of carsales' IP and technology. The success of this strategy has been demonstrated through revenue growth of 11% on pcp to $9.1m across the region and improved operating metrics in each business notwithstanding more challenging economic conditions, particularly in Argentina.

Finance and Related Services – Discontinued Operation

Underlying Finance and Related Services revenue was down 17% to $57.0m, and EBITDA was down 71% to $2.4m. This reflected a tough lending environment throughout the year, as lenders responded to the Banking Royal Commission and the availability of credit became more challenging. The ASIC Finance and Insurance regulation changes that applied from November 2018 reduced yields on settled finance across the broker industry. A significant cost reduction program in the second half of the year will improve profitability going forward.

Outlook

carsales assumes a gradual recovery in Australian automotive market conditions across the year, supported by lower interest rates, an improved lending environment, a recovering property sector and recent tax changes.

There has been a solid start to the year in carsales' Core Australian Dealer, Private and Data businesses. In Display, the business is anticipating an improving trajectory across FY20, albeit market conditions remain challenging in this segment. It is also expected that the domestic adjacent businesses of tyresales and RedBook Inspect will show good growth in FY20.

In Brazil and Korea, growth rates are expected to be similar to FY19. There is also no anticipation of a further deterioration in the South Korean economy as a result of the ongoing trade dispute with Japan.

It is expected that there will be improving profitability in the Group's Chilean business and a similar level of investment in the Mexican and Argentinian businesses compared with FY19.

Overall, Group Revenue, Adjusted EBITDA and Adjusted NPAT growth is expected to be solid in FY20*.

* Growth from 'AASB 16 – Leases' restated FY19 result.

Risk

Being a complex business operating in growth markets carries with it a number of risks that the Company manages including, but not limited to:

- Maintenance of professional reputation and brand name – the success of carsales and its businesses around the world is heavily reliant on its reputation and branding. Unforeseen issues or events, which place carsales' reputation at risk, may impact its future growth and profitability.
- Relationship with motor vehicle dealers and automotive manufacturers (OEMs) – carsales derives a significant proportion of its revenue from motor vehicle dealers and OEMs. A change in the size and/or structure of this market could impact carsales' earnings. Inparticular, consolidation of the dealer market with fewer, larger dealers or increased manufacturer control of dealers' online advertising activity may impact upon the prospects of carsales. In addition, a significant proportion 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, or constrain carsales' ability to command market-leading prices for products and services.
- Downturn in the Australian economy, 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 decline or significant change in the advertising market as a result of broader economic influences or changing advertiser trends could have a negative impact on carsales' earnings.
- Cyber Security – the cyber threat to companies around the world is growing and unrelenting, carsales as an online business is not immune to these risks. carsales is vigilant and proactive in its approach to cyber security, investing resources to meet the challenges of a complex cyber environment in order to protect our customers' data. A cyberattack or hack of carsales' systems could have serious impact on the Company's reputation, operational and financial performance.
- Information Technology – carsales' business operations rely on owned and 3rd party IT infrastructure and systems, including reliance on Amazon Web Services and other cloud service providers. Any interruption to these operations or loss of customer data could impair carsales' ability to operate its customer facing websites which could have a negative impact on carsales' financial performance and reputation. 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.
- International expansion – with the expansion of the business into new high growth international geographies, the Company becomes exposed to the macroeconomic environment of these markets as well as to fluctuations in exchange rates. The Company may not be able to fully recoup its investment in these markets should it not be able to accelerate the growth of its businesses through the implementation of carsales' business models, intellectual property and technologies.
- Financial Regulations and credit availability – the Group is exposed to various regulatory environments across the markets and geographies in which it operates. In particular, the Stratton Finance Group (presented as discontinued operations) must comply with applicable financial legislation (such as the National Consumer Credit Protection Act) as well as relevant ASIC instruments. Changes to regulations in the future, or a reduction in the availability of credit from Stratton's lending panel could result in a material reduction in finance related revenues and profitability.

Directors’ Report – People

People

Our people are paramount to our success. Their future-focused mindset combined with a passionate approach to the work that they do enables us to achieve our purpose – to empower people to move freely through our world-leading marketplaces. carsales operates in a fast-paced and continually evolving environment so attracting and retaining the best talent is key to our ongoing success. This year we have focused on embedding a growth agenda across each area of our businesses and reinforcing the role that every individual and team plays to execute our strategy.

We have continued to invest in our people with a focus on building a culture that values open communication and timely feedback. Regularly reviewing and iterating the touch points along our employees lifecycle has allowed us to continue to create exceptional employee experiences for our people. We work hard to foster the diverse and inclusive environment that we are so proud of and we are always looking for new opportunities to further build on this. The carsales values of Enjoyment, Respect, Integrity, Communication and Honesty (EnRICH) continue to be at the heart of everything we do. These values guide our behaviour and the qualities are entrenched in every facet of the organisation.

The carsales Culture

Our culture is one that has been built on a healthy sense of paranoia, taking risks and learning from mistakes. Our growth has not swayed us from operating in this ‘disruptive’ way and we continue to reap the benefits. By equipping our people with the latest technology and tools, we are able to achieve consistent operational excellence and deliver exceptional value to our customers and shareholders. This mindset means that there’s no limit to what we can achieve, particularly when it’s underpinned by our overarching connection to our established values and behaviours.

85% of our people have shared that they believe their manager genuinely cares about their wellbeing.

86% We value feedback and establishing complete loops of communication at all stages of our people’s career and progression. This is reflected by 86% of our people sharing they know how their work contributes to the goals of carsales.

Our EnRICH values – which were created by our people and for our people – keeps us grounded. We reference them regularly including during our recruitment process so that we’re always focused on bringing people into the business who will positively contribute to our culture. EnRICH helps us embed exciting new internal initiatives into our teams and is key to driving us forward and building on our unique sense of connection.

Each year we encourage our people to participate in providing feedback via our Global Engagement Survey and in 2018 we introduced another feedback loop by conducting a Global Pulse Survey. This is a shorter version of our full engagement survey focusing on the key metrics impacting on our employees’ engagement. These are opportunities for the business to continue to build on its high-performance culture and to pivot and re-establish goals and priorities to ensure that our people are being heard and actions made to positively impact the business.

The continued internationalisation of carsales and our focus on a global mindset has seen us further nurture the relationships with our international teams throughout FY19. Some of the ways we have been able to achieve this include rolling out our bi-annual employee opinion surveys to our global teams and the utilisation of cross-functional collaboration through digital channels as a knowledge sharing opportunity. We’ve increased our use of video as a means to share important business updates in a timely and universally accessible way and the Executive Leadership Team members have spent time visiting each of our offices throughout the year to check-in and ensure each of our workplaces enable our people to grow and succeed in all that they do.

In the past 12 months, we have had members of our team with different expertise travel across the globe to knowledge share and help with various projects in our International businesses. This has dramatically increased collaboration and knowledge sharing across our growing global marketplaces.

A Career at carsales

Our employee value proposition is unique and provides us with a competitive advantage when it comes to attracting and retaining talent. We continue to evolve our culture of inclusion, learning, leadership, performance and passion. We want to be known as an employer of choice and a destination for top talent.

Our people initiatives focus on all stages of careers so that our team are exposed to development opportunities and are given sufficient support to be successful. Part of our strategy is to create a work environment that is flexible and promotes a healthy work-life balance. This is driven from our leadership

Technology is in our DNA

We're committed to developing our people and strengthening our cross continental capability. Our "Tech Hub" - located in Santiago, Chile has grown to more than 20 people in two years. This team works closely with our team in Australia and the collaborative relationships that have developed have had a positive impact on the outcomes we deliver to all of our customers.

93% of our people agree that we've established a work environment that is open, inclusive and accepts individual differences which reflects our strong commitment to diversity and inclusion.

team who recognise the benefits of flexibility and balance. We try to be a leader in this space and some of what we offer includes: flexibility around where, when, and for how long our people work; generous paid parental leave; early access to long service leave; and refuel days. We also offer additional support services such as breastfeeding facilities (we are an accredited Breastfeeding Friendly Workplace) and school holiday programs in our Melbourne office which further demonstrates our commitment to flexibility at work. Our focus for the future is to continue to refine and develop our policies – as we look to ensure each person is supported in their career, be it a graduate in their first taste of professional life, someone considering retirement options or an individual hoping to explore how to integrate career-related study into their life.

These elements have continued to showcase our business as an attractive place to work and we were pleased to be formally acknowledged as Great Place To Work® in 2018 by Great Place To Work Australia. It is through the development and continued investment in our people that carsales will continue to grow and be viewed as a great place to work.

Learning and Development

We're life-long learners at carsales and believe that investment in training and development will inspire our people to be challenged and grow. In FY19 we unveiled a new performance and careers framework and development program called Supercharge. Supercharge is completely unique to carsales and was developed using data and feedback from our people.

80% Innovation is core to our success and our DNA. We are proud that over 80% of our people feel like they are encouraged to be innovative regardless of whether their ideas succeed.

92% Work-life balance is important to carsales and we're proud that 92% of our people feel like they can take time out from work when they need to. From flexible working arrangements to the suite of new leave options introduced in 2018 – we have something for everyone.

The team analysed nine years worth of feedback from onboarding, engagement and exit surveys and ran a series of focus groups to get a clear picture of what our people wanted from their career and development at carsales. This has resulted in a structured and aligned framework with a focus on career, development, goal alignment and regular feedback – delivered in an agile and customisable format that isn't a 'one size fits all'. In addition, we have continued to focus on offering training and development programs to support our people including:

- Our annual CEO scholarship – an indication of our investment in the future of our people and that we are more than just a place of employment. Our 2019 winner came from our Sydney office, and 2018 saw our first international recipient of the award from the Demotores business in Argentina.
- Mentoring and buddy programs – everyone at carsales can participate in our annual company-wide mentor program, either as a mentor or a mentee. Both roles are aimed at helping employees to learn, grow, develop and achieve their goals. The program is designed to help provide insight, perspective and inspiration in the areas that matter most to the individual.
- Expert Series – these sessions are run by members of our very own talented team and are some of our most popular training opportunities. These are designed to share best practice and knowledge across the business. It's also an opportunity for our team members to explore potential career paths and opportunities in departments outside of their own. Throughout FY19 we ran 11 Expert Series sessions covering topics including Artificial Intelligence, Voice of Customer, Behavioural Economics and Product.
- Regular participation in conferences and external knowledge sharing events.
- Our revamped Women In Tech program – over time this program has successfully built opportunities for our women to share their skills with younger generations and spend time in the community. It has also provided the opportunity for our females in technology to network with each other and their peers in the industry. As part of the relaunch, the group decided to adopt a quarterly learning focus, with the first topic being AWS. Over a four-month period, the group met fortnightly to study different topics relating to AWS, build on their presentation skills and share learnings. The goal of the quarter has been to provide a structured path for learning towards AWS certification. At the end of every quarter we provide an opportunity to reflect on learnings, discuss future opportunities and celebrate our successes with a networking lunch.

Directors' Report – People continued

Throughout the year, we delivered over 1,204 hours of training which includes more than 396 hours of Spanish lessons, 11 Expert Series, 60 participants in our mentoring program, as well as online learning and external courses.

Our graduate program has gone from strength to strength. We saw our second cohort of graduates enter the business in 2019, rotating through many of our teams including Data, Product, AI, Finance, Marketing, QA, Membership and DevOps. This year we received in excess of 1000 applications for our 2020 graduate intake – an increase of over 40%. We participated in the Australian Association of Graduate Employers (AAGE) Top Graduate Employers survey for the first time and we were thrilled to be voted #4 on the list by our graduates.

Diversity and Inclusion

carsales is proud to be a workplace that promotes, respects and embraces diversity and inclusion at all levels. We firmly believe in fostering a supportive and inclusive environment that values and encourages the ideas, capabilities and experiences of our global and diverse workforce to realise their full potential. In FY19 we were the proud recipient of the WGEA Employer of Choice citation for the fourth consecutive year which is recognition of our ongoing commitment to achieving a gender diverse workplace. We see ourselves as a business that takes a leadership position on gender diversity and our CEO, Cameron McIntyre, sets the tone as a WGEA Pay Equity Ambassador and a board member for Inclusive Australia. We also continue to hold our White Ribbon Workplace accreditation, which recognises our commitment to promoting respectful relationships and preventing violence against women.

As a technology business, our people have devoted a significant amount of time contributing to our community, with a particular focus on improving and maintaining connections with young women and encouraging them to pursue careers in IT. carsales was a key sponsor and participant in the bi-annual Go Girl program in August 2018. This program, run by the Victorian ICT for Women network and was attended by over 2000 female students. The day provided an opportunity for students to gain an understanding of what a career in technology looks like through workshops and lectures with our team.

This year we were also a proud sponsor of Super Daughter Day. This event was aimed at 5 – 12 year olds and offered them an opportunity to explore the world of STEM. We had over 10 volunteers donate their time to run workshops using M Bot robotics and scratch programming.

For the second year running, we hosted our internal Kids Code Camp for our people's children. Over two days, 25 kids aged between 4 – 12 years old joined us for a series of coding activities with robots. This program offered a great opportunity for the kids to see what their parents do and for our team of volunteers to share their skills, knowledge and enthusiasm for technology with a younger generation.

We continued to work with a local girls high school to deliver coding classes to students in years 7 – 11. These were held over a lunch time and saw a group of dedicated volunteers deliver hands-on workshops on coding in Python. We also sponsored the IT Takes Spark conference which brings together STEM teachers and students. Through our sponsorship we were able to support a group of teachers and students from a regional Victorian school to attend the event.

We have also continued to build on our links with the student community by supporting and donating our time to the Uni Hack program, Monash Post-graduate Mentoring Program and supporting students by providing work experience opportunities and donating time to give specialist lectures, tours of our business and presentations to students across a number of different universities and interest groups.

Technology is in our DNA

Our Hackathons involve people from across the business coming up with innovative ideas to improve what we do. They are global and empower everyone to be creative and collaborate to enhance our customer experience.

We've seen more than 300,000 code releases over the past 12 months, every single one of which improves our customer experience.

We continue to focus on the following gender equality objectives as part of our diversity strategy:

Objectives	**Initiatives**	**Outcomes**
Continue to grow the number of women in senior roles and professions where women are traditionally under represented.	Reviewing all job advertisements to ensure gender neutral wording. Ensuring female representation in all interview panels. Ensuring that there is gender diversity in all succession planning reviews.	45% of all appointments in FY19 were female. 33% of all managerial appointments were female. 30% of our Executive Leadership Team are females.
Continue to implement career development programs to prepare women within the business to take on more senior roles.	Current initiatives include training and development programs that cover topics such as communication, presentation, management and influencing skills training. Continued development of our Next Gear Graduate Program. carsales mentoring program which runs twice per year.	Achieved a 50/50 gender split in our 2019 and 2020 cohorts of graduates. 37% of FY19 promotions went to female team members. 32% female participation in our mentor program for FY19.
Foster an inclusive culture and environment in which women network and mentor each other to progress their careers within carsales.	Support of internal networking opportunities such as our Women In Tech (WIT). Delivery of internal and external coding workshops by our people. Support of STEM related initiatives including the Women in STEM Decadel Plan, speaking on panel events relating to diversity and inclusion. Celebration of International Women's Day.	Sponsored *Go Girl, Go For IT and Super Daughter Day* events which are focused on encouraging females to pursue STEM careers, and are attended by our female tech team members. 19 team members participating in the Monash University mentoring program. Fortnightly Women in Tech catch ups with a quarterly learning & development focus on topics such as AWS and data.
Continue to enhance flexible workplace arrangements for both women and men. Enabling our people to manage work-life commitments and preferences.	16 weeks of paid parental leave (plus five additional days of paid leave during the first months returning to work to assist with the transition). In addition to our two weeks paid leave for secondary caregivers, we have also provided access to an additional 10 days of sick/carer's leave. Ability to purchase additional one or two weeks of annual leave per year. Early access to long service leave after seven years of continuous service (usually 10 years depending on state legislation). Access to sick/carers leave to take up to two 'Refuel Days' per annum which can be used to do something such as take a day off to move house, to celebrate their birthday or simply just a mental health break.	In FY19 we had 24 females and 1 male employee take primary carer's leave, and 21 males take secondary carer's leave. We had a 96% return to work rate following parental leave in FY19. We've had 27 team members who are parents with caring responsibilities access formal flexible working arrangements.

Directors' Report – People continued

FY19 has also seen carsales continue to build on our D&I initiatives in other focus areas including disability and the LGBTIQ+ space. We became proud members of the Welcome Here project. Welcome Here supports organisations to create and promote environments that are visibly welcoming and inclusive of Lesbian, Gay, Bi, Trans, Intersex and Queer (LGBTIQ) communities. All of our Australian offices now display the Welcome Here membership sticker and charter, so that all of our people and visitors know the values we uphold as a business in terms of supporting and welcoming the LGBTIQ community. We have also celebrated IDAHOBIT – International Day Against Homophobia, Biphobia, Interphobia & Transphobia – right across Australia. Acknowledging days such as these builds on our commitment to creating a safe and welcoming work environment for everyone, drives positive social change, and demonstrates that we not only welcome LGBTIQ+ diversity but we celebrate it too.

Hackathons

Innovation is at the core of our culture and our Hackathons provide a valuable opportunity to bring our people from across the business together to collaborate and create ideas to improve carsales and help our customers.

One of our 2018 Hackathon ideas delivered our people with an entirely new way of communicating this year. Ask Me Anything (AMA) is an anonymous portal through which any employee can ask a question about any subject – such as our future direction and business strategy, office facilities or benefits we offer. The questions are live streamed on the carsales blog, can be up voted by peers, and are answered by the most appropriate person in the organisation. These answers are live streamed to all employees. Hackathon ideas like this are a true testament to our innovative DNA.

Community

The carsales Foundation is our independent, registered charity that was created to formalise our community outreach programs, and the vision is simple: 'To positively impact our community by promoting inclusion and supporting equal access to education'. Establishing links and strengthening partnerships with the community and groups that are close to the hearts of our people has been an important part of who we are. In FY19 we refreshed the Foundation's focus areas and defined four clear pillars:

- **Pillar 1** Community Grants - anyone in our business can nominate a charity that they are passionate about to receive a grant of up to $500.
- **Pillar 2** University education – supporting a female to study Technology at Swinburne University through a Women in IT scholarship.
- **Pillar 3** Prevention of family & domestic violence – donating to shelters, family support networks and White Ribbon.
- **Pillar 4** Primary and secondary school education – providing support to primary and secondary school children under financial hardship.

To support our primary and secondary school education focus we have aligned ourselves with The Smith Family. Our team donated over $1,200 to purchase 57 toy and book packs as a contribution to The Smith Family 2018 Christmas Appeal. We are also sponsoring seven students around Australia through their Learning For Life program. Learning For Life recognises the extra support that disadvantaged children need to stay in school and our sponsorship money goes towards providing financial assistance to cover the cost of school related supplies. We also have 13 team members who have volunteered to be mentors through The Smith Family to help students in years 9 to 11 by providing general encouragement, advice and guidance regarding their post school plans.

Since it was established in 2016, our people have raised close to $50,000 for the carsales Foundation, and those funds have then been distributed to the community. In the past year we've donated to a number of fantastic charities nominated by our people including Movember, The Gutsy Group, The Aftershock and Rivers Gift. We're proud to have established strong links and strengthened our partnerships with the wider community and charities that are close to the hearts of our people.

Health and Wellbeing

We have continued to deliver our wide range of employee benefits relating to health, wellbeing and work-life balance which sit under our carsales People Promise offering. Our Health and Wellbeing program is aimed at addressing the four pillars of health – mental, physical, emotional and financial. We offer discounts on health insurance, gym memberships, optical providers and sports medicine clinics. We also offer a calendar of health and wellbeing events throughout the year. Some of the classes that we have offered include HIIT training, boot camp, pilates, yoga and meditation. We had 210 team members take up our annual flu shot offering in the lead up to the winter months, and ran seminars on topics including stress management, resilience and managing superannuation and finances.

Technology is in our DNA

We're rolling out educational programs for the community – with a focus in supporting Women in Tech we're showcasing how technology and STEM is an exciting option for women.

Case Study: Women in Tech

Our first Swinburne scholarship recipient, Stephanie McDonald, has graduated from her Computer Science degree and was accepted into the tech stream of the 2019 carsales Next Gear Graduate Program. She has almost completed her first 6-month rotation and shared her experience:

"My interest in the world of tech began with my sister. I saw her begin her career in tech and saw all the amazing opportunities that lay before her. Then it was encouraged by an amazing IT teacher at my high school in Victoria, who went above and beyond to show me what I was capable of. It was thankful to this individual that I was able to access challenges that had me thinking beyond the class time and I found myself constantly creating and extending classwork to keep me thinking. It was through this teacher that I really began to believe that there was a place for me in technology if I continued to pursue my passion.

Throughout my degree, I was always looking for new opportunities and ways to advance my learning. I found the scholarship offered by the carsales Foundation. Writing my application, I realised just how eager I really was to share my passion and enthusiasm around technology. From the impact it can have on society, the reliance we all have on it and just how much value it can add to one's life – how unreal that there was a company built on that exact same passion. Little did I know that this scholarship would completely change what I thought I was capable of and the direction of my career.

I loved the technical side of tech, it's why I chose to do computer science. However, I had no faith in my abilities to code and when I compared myself to my classmates I thought I could never catch up. As part of the Foundation scholarship, I participated in two 6-week internships at carsales. These were without a doubt, definitely the scariest weeks of my final year at uni. However, I never felt anywhere near the level of self-doubt I did in my uni classes. The people within the tech teams here at carsales were so supportive and kind and really gave me that sense of confidence that I had been trying to instil in other young women in my life. I look back now and marvel at how these brilliant people could share in my excitement of getting basically 3 lines of code to work and make me feel so proud of the tiny, miniscule change I had made. Following my internship and completion of my studies - applying for the graduate program was an easy decision. I never imagined myself working anywhere other than carsales after I graduated because I never realised how much of a positive impact a company, its culture and its brilliant people could have on me, my ability to learn and my motivation to push myself to take on new challenges and I wasn't going to give up the opportunity to start my career in this environment.

Fast forward to today and I'm a few months into my Graduate program rotations. I have never been more excited to go to work and to see what I am going to accomplish and learn today, tomorrow and the day after that and the day after that. The internship allowed me to come into the graduate program prepared for the constant change and learning that technology in a fast-paced world. I'm now no longer fending off a panic attack when I get given a completely new task, rather I'm excited to see all the new things I will learn. My team is incredibly supportive and helpful and is why I have been able to throw everything I have into learning and building my skills. I've joined the Women in Tech group – this group of women is phenomenal, everyone is both motivating and inspiring and prove exactly why we need to continue on our mission of shifting perceptions of women in IT.

When I started my degree I never believed I could be a software developer, this scholarship showed me that if I set my mind to it I can shape my tech career in whatever way I want. This is what excites me about tech in the future, I'm excited to see the changes ahead and mould my own career and see where it takes me. I'm also excited by the changing attitudes of the little girls and boys that have started learning coding in school, having volunteered at a few events I can see that these kids more and more believe that tech is for everyone."

Corporate Governance

carsales is committed to being ethical, transparent and accountable in everything we do.

We believe this is essential for the long-term performance and sustainability of our Company and supports the interests of our shareholders and other stakeholders. The Board of Directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance Company performance and build sustainable value for shareholders.

Our corporate governance framework acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support our business operations, deliver on our strategy, monitor performance and manage risk. Our FY19 Corporate Governance Statement addresses the recommendations contained in the third edition of the ASX Principles and Recommendations and is available on our website at bit.ly/esg-reprt.

Environmental, Social and Governance Report

We have issued our second Environmental, Social and Governance (ESG) Report, 'Driving the future: Our sustainable business 2019'. At carsales, we take our ability to have a positive impact on society extremely seriously. We want carsales to be known for behaving fairly and responsibly, earning the trust put in us by our customers, employees, shareholders and the community in general.

carsales' approach to assessing, mitigating and managing ESG risk is overseen by the Company's Board and managed by the carsales' Executive Leadership Team. The Company also has an ESG working party that advises management on ESG issues and undertakes the Company's reporting. The Board is responsible for establishing and overseeing the Company's risk management framework. It has delegated the specific duty of developing and monitoring compliance with risk management policies to the Board's Risk Management Committee (RMC). We are extremely proud of the culture and business we have built at carsales – we know that people are at the core of everything we do, and continuing to attract and retain the very best talent will be key to our continued success. In addition to our people, other key drivers of our success are our world-leading technology and the unparalleled data and insights we have in the automotive industry. Accordingly, cyber security and data protection are always top of mind for us.

As an online business, we have a low environmental impact compared to many other categories of companies. However, we believe it is incumbent on every business and individual to be aware of their environmental impact and have this in mind in relevant decisions whether on a day to day basis or for more significant projects.

Read the full ESG report 'Driving The Future: Our Sustainable Business 2019' on our Corporate Governance page of the website at bit.ly/esg-reprt.

Our Environmental Commitments

We are consciously building a sustainable business. We understand that resources are finite and it is important for us to protect the world in which we operate. While the nature of our business has a low environmental impact and we are not subject to any specific environmental legislation, we aim to minimise our environmental footprint.

Our goal is to lower our environmental footprint by utilising a number of measures to minimise waste, consumption of materials, energy and water, including employing sustainable cleaning, waste and recycling practices. We use recycled materials and have removed personal waste paper bins from desks to ensure all waste is recycled in the correct manner. As a business we only purchase 100% recycled paper and enforce printing limits including default double-sided, black and white printing.

Since one of our main environmental impacts is our office footprint, we have worked with our landlords to create sustainable workspaces. We have installed low wattage, low energy, power efficient globes; use lighting sensors to ensure lights are turned off when not in use; and employ zoning air conditioning to reduce power or switch off outside office hours. We have installed filtered water taps in offices to reduce the purchase of bottled water; supply crockery and steel cutlery at all employee hubs and tea points within our offices to reduce disposable consumables; have installed water efficient dishwashers and bathroom filters.

Our head office in Richmond, which houses the highest number of our people, is certified as a 4.5-star NABERS rated building while our state-of-the-art Sydney premises are yet to be certified.

We have installed video conferencing facilities and use Skype for Business across the Company to connect sites and reduce the need for travel. We have focused on reducing our higher impact travel activities such as air travel, reducing this by approximately 33% in FY19. We promote recycling of battery and mobile phones to reduce landfill. Our use of green IT and cloud-based solutions has lowered our environmental footprint significantly.

Data Centre Efficiency

During the year we closed out last legacy fixed site hosting facilities and completed our move to 100% cloud-based solutions such as Amazon Web Services (AWS). This helps deliver on our commitment to reduce our environmental footprint. Our key partners AWS and Equinix both are publicly committed to power their data centres with 100% renewable energy. By working with AWS and Equinix, we benefit from their activities to increase the energy efficiency of data facilities and equipment and the innovation of design and manufacture of servers, storage, and networking equipment to reduce energy. AWS also focuses on reducing water usage in its data centres, and evaluating climate patterns for each AWS region to select the most energy and water efficient cooling method. It is also implementing on-site water treatment technologies that allow it to further reduce water consumption and utilises non-potable, recycled water for cooling when possible.

Our Board

Patrick O'Sullivan

Non-Executive Chair

Pat has been a Director of the Company since 2007 and was the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited (formerly PBL Media Pty Ltd), a position he held from February 2006 until June 2012.

Pat is a member of The Institute of Chartered Accountants in Ireland and Australia. He is a graduate of the Harvard Business School's Advanced Management Program. He also served as a Director and Company Secretary of Nine Entertainment Co Pty Limited and was Chair of Ninemsn. Pat brings immense financial and regulatory expertise to the Board, and was the Chair of the Audit and Risk Management Committee prior to being appointed as Chair of the Board in 2019. Pat also provides the Board with insights relating to operations of global companies.

Cameron McIntyre

Chief Executive Officer and Managing Director

Cameron was appointed Managing Director and CEO of carsales.com Ltd in 2017. Prior to this, Cameron held the positions of Chief Operating Officer (since October 2014), and Chief Financial Officer and Company Secretary for the previous seven years, including for the IPO of the Company in 2009. Cameron has over 25 years of finance and operational experience. Cameron holds a degree in Economics from La Trobe University, Melbourne, is a graduate of the General Management Program at Harvard Business School and is a Certified Practicing Accountant (CPA).

Cameron brings unparalleled knowledge of the business and significant experience in strategy and management to the Board.

Wal Pisciotta OAM

Non-Executive Director and Co-Founder

Wal has more than 35 years' experience in supplying computer services to the automotive industry. Wal holds a Bachelor of Science degree in Business Administration from the University of Alabama (United States) and was the Chair of carsales.com Ltd since its inception until August 2015. Wal was recognised with the Medal of the Order of Australia for his services to the Australian Automotive Industry in the 2016 Queen's Birthday Honours.

Wal brings to the Board extensive knowledge of the IT needs of the automotive industry as well as his extensive knowledge of the business, having been a driving force from its inception.

Kim Anderson

Non-Executive Director

Kim is the former CEO and founder of Reading Room Inc/Bookstr.com, a community/social networking site for readers, a Non-Executive Director of WPP Australia and New Zealand and a Director of The Sax Institute. Kim is also on the Board of Marley Spoon and was appointed chair of Beem It. Kim has more than 25 years' experience in various advertising and media executive positions within companies such as Southern Star Entertainment, the Nine Network, PBL and Ninemsn.

Kim provides an abundance of experience and knowledge in the advertising and marketing industries. Kim also has extensive experience on ASX listed Boards, including as Chair of Remuneration Committees.

Edwina Gilbert

Non-Executive Director

Edwina has worked in the automotive industry since 2003, and is currently Dealer Principal of Gillen Motors and Director of Phil Gilbert Motor Group, managing 200 staff with two brands in two busy metropolitan locations. Edwina was the Chair of the Hyundai NSW Dealer Council and a member of the Hyundai National Dealer Council from 2010 – 2015. Edwina holds a Bachelor of Laws and Bachelor of Arts from Sydney University and practiced commercial law before moving into the automotive industry.

Edwina brings significant OEM knowledge along with experience operating dealerships with a `digital first' marketing approach. Edwina's background in law also contributes to the regulatory capabilities of the Board.

Kee Wong

Non-Executive Director

Kee is an entrepreneur with a background and qualifications in Engineering, Information Technology and Business. Kee has started several businesses and has made investments across a number of industries which include technology services, retail, food and beverage, trading and property.

Kee has experience in IT and management consulting and was a senior executive at IBM running part of its e-business group in the Asia Pacific region, including Australia and New Zealand. He is founder and managing director of e-Centric Innovations, an IT/Management consulting firm operating in Australia, Malaysia and Singapore.

Kee's appointment enhances the Board's knowledge of technology and product as well as providing valuable insight into markets outside of Australia in which the Company operates.

David Wiadrowski

Non-Executive Director

David is an ASX director with strong commercial acumen and financial credentials derived from extensive experience at PwC and board roles at Vocus and Life360. David's passion for business comes from his role as a Partner at PwC, including 5 years as the Chief Operating Officer of PwC Assurance where he was responsible for managing the firm's largest business unit. David has extensive experience working with companies in the technology, infocoms and entertainment and media industries, having been the lead audit partner for clients including Network Ten, APN News & Media and Yahoo during his time with PwC.

Steve Kloss

Alternate Non-Executive Director

Steve has more than 25 years' experience in supplying computer services to the automotive industry and is currently Chief Executive Officer at Pentana Solutions Pty Ltd. Steve holds a Bachelor of Business degree from Monash University and is an experienced board Director.

Nicole Birman

Company Secretary

Nicole is an experienced corporate lawyer who holds the position of General Counsel and Company Secretary at carsales.com Ltd. Nicole has a Bachelor of Laws (Hons) and Bachelor of Arts from Monash University. Before joining carsales, Nicole acted as in-house legal counsel for Medibank Private and REA Group. Previous to this Nicole worked for Minter Ellison, one of Australia's premier legal firms, where her areas of specialty included intellectual property law.

Our Executive Leadership Team

Cameron McIntyre

Chief Executive Officer and Managing Director

Cameron was appointed Managing Director and CEO of carsales.com Ltd in 2017. Prior to this, Cameron held the positions of Chief Operating Officer (since October 2014), and Chief Financial Officer and Company Secretary for the previous seven years, including for the IPO of the Company in 2009. Cameron has over 25 years of finance and operational experience. Cameron holds a degree in Economics from La Trobe University, Melbourne, is a graduate of the General Management Program at Harvard Business School and is a Certified Practicing Accountant (CPA).

Jo Allan

Chief People Officer

Jo is the Chief People Officer at carsales.com Ltd. She joined the business in 2008 and is responsible for all aspects of people and culture across the carsales Network. She has over 15 years' experience holding senior roles in people and culture, remuneration, and communication and has extensive experience in major transformation programs. She has built the people and culture function at carsales to what it is today and holds a Bachelor of Business and a Bachelor of Communication from Monash University.

Paul Barlow

Managing Director – International

Paul joined carsales.com Ltd in 2009 and is responsible for carsales' international growth strategy and operations. Paul is a Director of SK Encar in South Korea, Webmotors in Brazil, soloautos in Mexico, chileautos in Chile and Demotores in Argentina as well as tyresales. Paul has been involved in technology solutions in the automotive industry since 1988 and over 20 years in the online classifieds space including co-founding a digital start-up and leading it through acquisition. Paul has a Masters in Business Systems from Monash University.

Ajay Bhatia

Managing Director – Consumer

Ajay is the Managing Director of the Consumer Business of carsales.com Ltd and leads the Group that brings together all consumer facing parts of the business. Ajay was previously the Chief Product and Information Officer, responsible for all aspects of product management, software development, infrastructure and IT operations. Ajay has held several technical and commercial leadership positions ranging from GM Commercial, Product Director, and Technology Director to CIO. Ajay holds a Bachelor's degree in Engineering from University of Technology, Sydney and a Masters in Management. Ajay was awarded Australian CIO of the year for 2015 by CEO Magazine Ltd.

Nicole Birman

General Counsel and Company Secretary

Nicole is the General Counsel and Company Secretary of carsales.com Ltd. Nicole is an experienced commercial lawyer, having practised law at one of Australia's premier law firms before moving to work in the legal functions of some of Australia's most prominent businesses. For the past 10 years Nicole has been advising leading online companies as in-house counsel. Nicole holds a Bachelor of Laws (Hons) and a Bachelor of Arts from Monash University.

Jason Blackman

Chief Information Officer

Jason is responsible for all technology decisions across the Company to streamline the carsales business both domestically and internationally. Jason joined carsales in 2012, becoming CIO in 2017. He has experience across a variety of industries, including digital media, utilities, manufacturing, finance and defence in both Australia and New Zealand. Jason holds a Bachelor of Accounting from the University of South Australia, a Bachelor in Technology from RMIT.

Kellie Cordner

Chief Marketing Officer

Kellie Cordner is the Chief Marketing Officer at carsales.com Ltd. Joining the business in April 2015, Kellie is responsible for all aspects of Marketing and Content across the carsales portfolio. Kellie holds a Bachelor of Business degree from Monash University. She has over 20 years experience in a range of senior roles in Marketing, Product & Strategy across the retail and media industries. She has been a member of the Monash University Marketing industry advisory board for the past 6 years.

Andrew Demery

Chief Financial Officer

Andrew joined carsales.com Ltd as Chief Financial Officer in December 2014. Prior to joining carsales Andrew held a number of roles with PricewaterhouseCoopers in both Australia and the UK providing a wide range of assurance, capital markets and consulting services across the media, telecom, technology and travel industries. Andrew is a member of the Institute of Chartered Accountants of Scotland (CA) and holds a degree in Physics from the University of London.

Michael Holmes

Executive Director – Dealer

Michael is responsible for the thousands of carsales dealer customers across Australia. He was previously General Manager – Dealer Sales and Development at carsales. A 25-year veteran of the Australian motor industry, he has been with carsales since 2013. He was previously Motor Dealer Manager for Allianz, National Sales Director of Fairfax's Drive.com.au, National Manager of Motor Trades Division for QBE Insurance. Michael also worked in the retail motor trade (metro and regional) for over 7 years, as a Finance and Insurance Manager. He is currently studying for his MBA and is a member of Advisory Boards for three separate start up digital ventures.

Simon Ryan

Managing Director – Commercial

Simon joined carsales.com Ltd in February 2019 and runs the B2B arms of the carsales domestic business which brings together all commercial facing businesses and relationships with dealers, manufacturers and media agencies. Simon has more than 25 years of experience in media and prior to being appointed at carsales, Simon has held various roles at Dentsu Aegis Network, including most recently as ANZ CEO. Simon holds a Business & Advertising Federation of Australia qualification and under Simon's leadership DAN ANZ was recognised by RECMA as the leading communications group in Australia for the past three years and Agency of the Year on a number of occasions.

Our Remuneration Chair's Letter

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for FY19. The Board is committed to ensuring our remuneration strategies align to outcomes that support our sustainable growth over the long-term and drive consistent shareholder value.

In FY19, we continued to focus on ensuring that the Company's remuneration framework is designed to incentivise our Senior Executives to deliver on our long-term strategy, maintain focus on the resulting business outcomes while retaining our high-performing and innovative culture.

The Company prides itself on having a strong sense of value, culture and passion and operates in a highly dynamic environment. This year I was proud that we have again been recognised as a Workforce Gender Equality Agency Employer of Choice, a certified Great Place To Work® and maintained our strong culture of engagement in the face of changing market conditions.

This year has seen a number of significant challenges in the media, finance and new car markets. It is important that our approach to remuneration maintains flexibility to allow the Company to attract, motivate and retain high-calibre executives who can address these challenges while still maintaining our culture and values. We believe we have achieved an appropriate balance between this flexibility and our responsibility to our shareholders.

In this report, we outline the Company's remuneration strategy and detail how the Company's performance in the past financial year has translated into remuneration outcomes for our Senior Executives.

The Board sets strong financial targets for the Company as well as strategic non-financial objectives, all designed to support the Company's long-term growth and strategy. The Company's performance in FY19 as tested against the targets set has resulted in overall lower total remuneration for Senior Executives than in the previous year. While it is not the Board's preference for executive remuneration to trend backwards, the Board considers the outcomes to be appropriate and responsible.

As in previous years, in this report the Company is voluntarily disclosing the actual cash remuneration received by our Senior Executives, in addition to the statutory reporting obligations. The Remuneration and Nomination Committee believes that carsales' remuneration framework is fully aligned with and supports the Group's financial and strategic goals.

As always, we welcome your feedback on our Remuneration Report and look forward to discussions with many of you over the coming year.

Yours sincerely

Kim Anderson
Chair of the Remuneration and Nomination Committee

Remuneration Report

The Company prides itself on its achievement of business outcomes and sets out to ensure the remuneration strategy provides the right balance of performance and reward, allowing to attract, motivate and retain high-calibre executives able to lead the business within a geographically diverse and dynamic environment.

Contents

1. Key Management Personnel

This report covers Key Management Personnel (KMP), comprising Non-Executive Directors and Senior Executives who have the responsibility and authority for planning, directing and controlling the activities of the Company for the year ended 30 June 2019.

Name	Position	Term as KMP
Non-Executive Directors		
Patrick O'Sullivan	Chair (appointed Chair from 4 January 2019)	Full Year
Walter Pisciotta	Director	Full Year
Kim Anderson	Director	Full Year
Edwina Gilbert	Director	Full Year
Kee Wong	Director (appointed from 9 July 2018)	Part Year
David Wiadrowski	Director (appointed from 23 May 2019)	Part Year
Steve Kloss	Director (Alternate)	Full Year
Former Non-Executive Directors		
Richard Collins	Chair (ceased as KMP on 4 January 2019)	Part Year
Senior Executives		
Cameron McIntyre	Managing Director and Chief Executive Officer	Full Year
Ajay Bhatia	Managing Director – Consumer	Full Year
Simon Ryan	Managing Director – Commercial (commenced on 4 February 2019)	Part year
Paul Barlow	Managing Director – International	Full Year
Andrew Demery	Chief Financial Officer	Full Year
Former Executives		
Anthony Saines	Managing Director – Commercial (ceased as KMP on 15 January 2019)	Part Year

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

2. Senior Executive Remuneration Strategy, Governance and Framework

The objective of the Company's executive remuneration framework is to ensure that reward for performance is competitive and appropriate to deliver the Company's results, and to attract and retain high-calibre talent. The framework aligns Senior Executives remuneration with the achievement of strategic objectives and creation of long-term value for shareholders. The framework is informed by market practice and adapted to the Company's current position in relation to its strategic plan.

2.1 Principles used to determine the nature and amount of remuneration for FY19:

The governance of Senior Executive remuneration is a core focus of the Remuneration and Nomination Committee. The Board ensures that the Senior Executive remuneration framework satisfies the following key criteria for good remuneration governance practices:

ALIGNMENT TO SHAREHOLDERS' LONG-TERM INTERESTS	• Has economic profit as a core component of plan design as well as key non-financial drivers of value such as innovation and culture • Focus on sustained growth in shareholder return • Attracts and retains high-calibre executives • Transparency
ALIGNMENT TO PARTICIPANTS' INTERESTS	• Reflects competitive remuneration for contribution to growth in shareholder wealth • Rewards capability, experience and performance • Provides recognition for contribution to operational performance • Provides a clear structure and goals for earning remuneration

To ensure the remuneration framework is market competitive and the Company is able to retain high-calibre talent, the Company will seek advice from external remuneration consultants to benchmark remuneration against relevant peers, being ASX listed companies that are relative in size, structure and industry to that of carsales. The Company accepts that while this peer group is small, it is the most relevant group from which talent competition arises. Increasingly the Company also considers global competitors for talent to be relevant, but has focused on companies with an Australian presence for the purposes of this remuneration framework in the current year.

The Company notes that no remuneration recommendations were received from external parties in 2019.

2.2 Governance

The Board has established a Remuneration and Nomination Committee which provides guidance on remuneration, incentive policies and practices, and undertakes regular remuneration benchmarking in order to make specific recommendations on remuneration packages and other terms of employment for the CEO, the Senior Executives and Non-Executive Directors (together Key Management Personnel).

Further information on the purpose and duties of the Remuneration and Nomination Committee is contained in its Charter, which is available from the Company's investor website at shareholder.carsales.com.au.

2.2.1 Engagement with shareholders and proxy advisors

Each year, the Company proactively engages with proxy advisors on a regular basis to ensure that they have a good understanding of the Company's remuneration structure and decisions, and they are in a position to provide insightful advice to their clients. The Company views these meetings as an opportunity to receive valuable feedback on issues of importance to its shareholders and to ensure it is across the trends being seen in the market.

Over the course of FY19, representatives of the Company met with the following proxy advisors:

- Ownership Matters;
- ACSI;
- CGI Glass Lewis;
- ISS; and
- the Australian Shareholders' Association.

2.3 FY19 Remuneration structure

Senior Executive remuneration for FY19 comprised the following components as detailed below.

	Description	Purpose
Fixed remuneration	Fixed remuneration comprises base salary and statutory superannuation contributions. This may be delivered as a combination of cash and prescribed non-financial benefits as elected by each individual. Fixed remuneration is reviewed annually, or subsequent to a promotion, by the Remuneration and Nomination Committee. There is no guaranteed fixed remuneration increase included in any Senior Executive's contract.	To provide remuneration in recognition of day-to-day work and responsibilities. The Company seeks to ensure its fixed remuneration is competitive with industry peers to attract and retain key talent, taking into account individual experience, capabilities and performance.
Short-term incentive (STI)	The STI plan is an annual incentive based award paid on the achievement of financial and strategic objectives. The performance metrics attached to the FY19 STI award are 70% financial outcomes and 30% company-wide strategic, personal, and cultural objectives. Of the award achieved, 75% is paid as a cash payment and the remaining 25% is awarded in equity (performance rights), the vesting of which is deferred for an additional 12 months subject to a continued service condition. The size of the STI opportunity available is based on the evaluation of each role. The maximum STI payable is capped at 60% of fixed remuneration, except for the CEO, who has a cap of 87% of fixed remuneration.	The STI aligns remuneration with the short-term goals of the Company which support shareholder value, taking into account the Company's immediate priorities. The plan is designed to drive overachievement of key financial and strategic, personal and cultural objectives as determined by the Board. By deferring 25% of the award in equity for 12 months, subject to a continuing service condition, the STI encourages talent retention as well as aligns Senior Executive's interests with those of shareholders. The plan is able to distinguish between Senior Executives to reward the individual's performance.

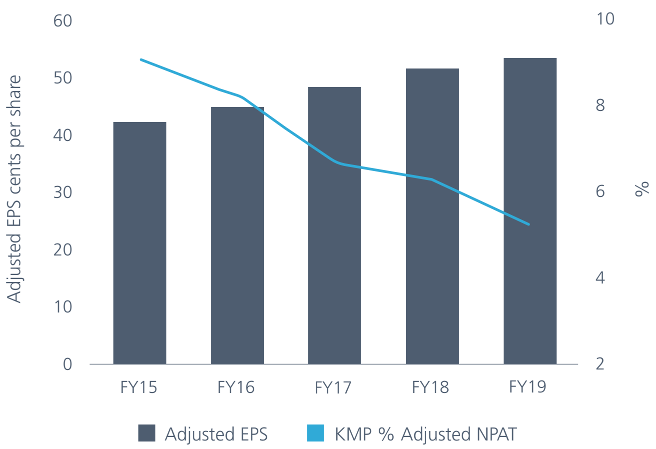
	Description	Purpose
Long-term incentive (LTI)	The LTI plan is an equity based award provided on the achievement of long-term performance conditions, measured over a three-year period. 70% of the LTI award is linked to financial measures and is satisfied through the issuance of performance rights. The remaining 30% of the LTI award is linked to strategic milestones and is satisfied through the issuance of options. The options and performance rights under this plan are issued for no cash consideration, but are subject to vesting rules and expiry periods. Options and performance rights vest on fixed dates, provided that employment has not been terminated, and relevant targets have been achieved. LTIs are awarded to eligible employees via the carsales.com Ltd Employee Option Plan which was established via a prospectus lodged with ASIC in 2000. Upon recommendation by the Remuneration and Nomination Committee, the Board determines who shall be eligible to participate in the plan.	The LTI incentivises management to deliver high performance outcomes over the long-term in a structure that aligns remuneration with the interests of shareholders. The Company includes strategic milestones in its LTI plan to recognise that there are important projects the Company is undertaking to promote future sustainability and growth, which should not be sacrificed for short-term financial return. The three-year vesting period encourages consideration of the long-term future of the Company in decision making as well as operating as a retention tool. In light of the various objectives of the plan, it is important that the targets set are both challenging and achievable. With a significant portion of potential remuneration tied to the Company's equity, the Board ensures alignment between the interests of Senior Executives and shareholders.
Other Benefits	Senior Executives receive salary continuance insurance cover that is provided to all carsales employees. The policy is held with MetLife Insurance Limited, but is not allocated on an individual employee basis.	This insurance cover is part of the carsales 'People Promise' provided to all employees of the Company.

3. Company 5-year Financial Performance

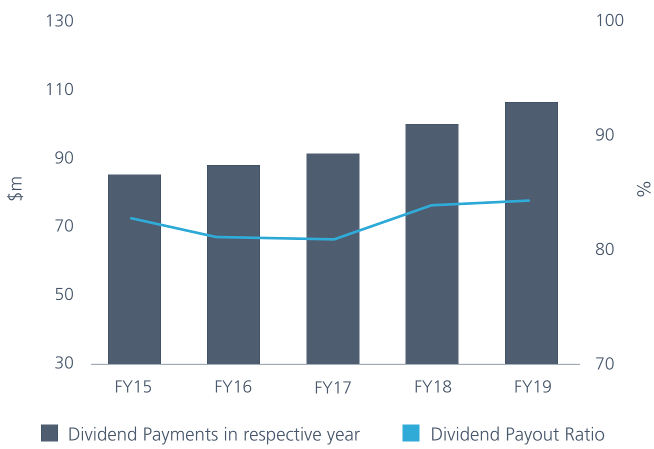
One of the key principles of the Company's remuneration framework is to closely align Senior Executive reward outcomes and Company performance. The Company provides shareholders with an overview of the Company's performance for the five-year period ended 30 June 2019 within the Remuneration Report, to enable an assessment of whether the Company has been successful in aligning Senior Executive and shareholder interests.

The graphs below demonstrate carsales' financial performance over the past five years along with how that performance has translated to shareholders in the form of earnings per share (EPS), share price performance and to KMP total remuneration shown as a percentage of adjusted profit for the year.

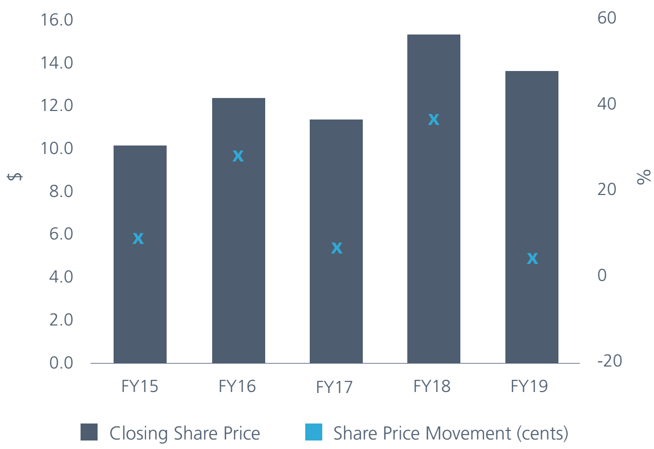
Adjusted EPS* and KMP remuneration



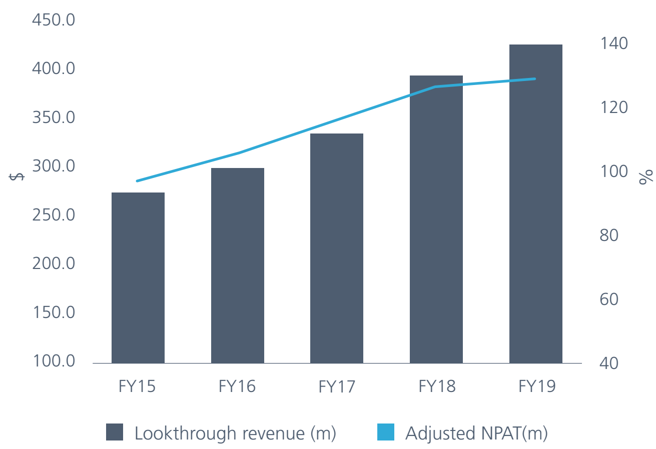
Dividend payment and ratio



Share price and movement percentage



Lookthrough revenue and Adjusted NPAT*



* Look through revenue is presented on a continuing basis for FY15-FY19 (excluding Stratton Finance which is a discontinued operation). Look through revenue for FY15-FY17 has not been restated for the adoption of *AASB15 - Revenue from contracts with customers* as the impact would not be material. Adjusted EPS and Adjusted NPAT are presented on a continuing basis for FY18 and FY19 but FY15-FY17 is presented as reported in those financial years.

4. Remuneration Snapshot

4.1 Cash based benefits that were realised in FY19

To make it easier for our shareholders to understand the actual amounts KMPs received in the current financial year, the Company has opted to include additional disclosures to those required under the Australian Accounting Standards and the *Corporations Act 2001*.

The figures in the table below are in addition to the disclosures made in section 4.2 (which provides a breakdown of Senior Executive remuneration in accordance with statutory requirements and Australian Accounting Standards). The table below is designed to reflect the value of remuneration that has actually been received by the Non-Executive Directors and Senior Executives in FY18 and FY19 rather than the value received on an accounting treatment basis, and has not been prepared in accordance with the Australian Accounting Standards.

Fixed remuneration and Cash STI relates to amounts that were received during the year, and vested deferred STI and vested LTI represent equity vesting from prior years after meeting a restricted testing period.

Name	Year	Fixed remuner-ation[1] $	Other $	Cash STI earned[2] $	Vested deferred STI[3] $	Vested LTI[4] $	Total $
Non-Executive Directors							
Patrick O'Sullivan	**FY19**	**279,808**	**-**	**-**	**-**	**-**	**279,808**
	FY18	180,000	-	-	-	-	180,000
Walter Pisciotta	**FY19**	**142,500**	**-**	**-**	**-**	**-**	**142,500**
	FY18	126,667	-	-	-	-	126,667
Kim Anderson	**FY19**	**190,000**	**-**	**-**	**-**	**-**	**190,000**
	FY18	180,000	-	-	-	-	180,000
Edwina Gilbert	**FY19**	**180,833**	**-**	**-**	**-**	**-**	**180,833**
	FY18	152,424	-	-	-	-	152,424
Kee Wong	**FY19**	**153,853**	**-**	**-**	**-**	**-**	**153,853**
	FY18	-	-	-	-	-	-
David Wiadrowski	**FY19**	**22,938**	**-**	**-**	**-**	**-**	**22,938**
	FY18	-	-	-	-	-	-
Steve Kloss (Alternate)	**FY19**	**-**	**-**	**-**	**-**	**-**	**-**
	FY18	45,833	-	-	-	-	45,833
Former Non-Executive Directors							
Richard Collins	**FY19**	**170,000**	**-**	**-**	**-**	**-**	**170,000**
	FY18	250,606	-	-	-	-	250,606
Jeffrey Browne	**FY19**	**-**	**-**	**-**	**-**	**-**	**-**
	FY18	211,144	-	-	-	-	211,144
Executive Directors							
Cameron McIntyre	**FY19**	**1,350,000**	**-**	**275,512**	**188,825**	**305,211**	**2,119,548**
	FY18	1,269,615	-	622,875	119,611	566,898	2,578,999
Other Senior Executives							
Ajay Bhatia	**FY19**	**824,250**	**-**	**121,714**	**90,272**	**152,611**	**1,188,847**
	FY18	785,000	-	297,795	65,785	245,925	1,394,505
Simon Ryan	**FY19**	**379,874**	**280,000**	**59,969**	**-**	**-**	**719,843**
	FY18	-	-	-	-	-	-
Paul Barlow	**FY19**	**619,500**	**-**	**92,424**	**71,005**	**106,821**	**889,750**
	FY18	590,000	-	234,210	47,847	164,767	1,036,824
Andrew Demery	**FY19**	**520,000**	**-**	**70,682**	**48,843**	**53,404**	**692,929**
	FY18	440,000	-	161,100	23,917	93,775	718,792
Former Executives							
Anthony Saines[5]	**FY19**	**312,336**	**484,630**	**-**	**93,776**	**-**	**890,742**
	FY18	710,000	-	309,323	66,021	323,453	1,408,797
Total KMP FY19		**5,145,892**	**764,630**	**620,301**	**492,721**	**618,047**	**7,641,591**
Total KMP FY18		**4,941,289**	**-**	**1,625,303**	**323,181**	**1,394,818**	**8,284,591**

1. Fixed remuneration earned in the financial year (base salary and superannuation).
2. Cash STI earned in relation to performance under the STI plan during the financial year.
3. Vested deferred STI is the value of the deferred STI earned as a result of performance in the prior financial year but was subject to a restriction period that ended in August 2019. The STI value calculated as the number of rights that vested multiplied by the 30 June 2019 closing share price (30 June 2018 closing share price for the FY18 financial year).
4. Vested LTI is the value of performance rights and options that vested in August 2019. Rights and options values are calculated as the number of rights and options received multiplied by the 30 June 2019 closing share price (30 June 2018 closing share price for the FY18 financial year), less the exercise cost of converting options to shares. For example FY19 is reported as the FY17 LTI grant which vested in August 2019.
5. Anthony Saines ceased as a KMP on 15 January 2019. It was agreed Anthony would receive the allocated 2019 Deferred STI shares upon vesting in August 2019.

4.2 Accounting based benefits

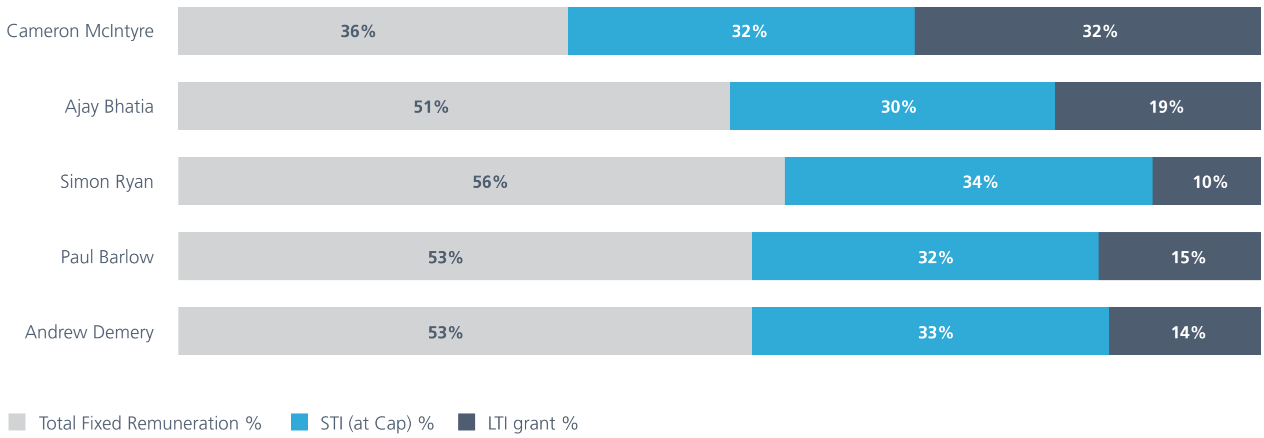
The table below has been prepared in accordance with the requirements of the Corporations Act and relevant Australian Accounting Standards. The figures provided under the share based payments columns are based on accounting values and do not reflect actual cash amounts received by Senior Executives in FY19.

		Short-term benefits		Post Employment	Long-term benefits	Share based payments				
Name	**Year**	**Salary and fees $**	**Cash STI $**	**Superannuation $**	**Long Service Leave $**	**Deferred STI**	**LTI performance rights**	**LTI options**	**Other $**	**Total $**
Non-Executive Directors										
Patrick O'Sullivan	**FY19**	**260,900**	**-**	**18,908**	**-**	**-**	**-**	**-**	**-**	**279,808**
	FY18	164,384	-	15,616	-	-	-	-	-	180,000
Walter Pisciotta	**FY19**	**130,137**	**-**	**12,363**	**-**	**-**	**-**	**-**	**-**	**142,500**
	FY18	103,667	-	23,000	-	-	-	-	-	126,667
Kim Anderson	**FY19**	**173,516**	**-**	**16,484**	**-**	**-**	**-**	**-**	**-**	**190,000**
	FY18	164,384	-	15,616	-	-	-	-	-	180,000
Edwina Gilbert	**FY19**	**165,145**	**-**	**15,688**	**-**	**-**	**-**	**-**	**-**	**180,833**
	FY18	139,200	-	13,224	-	-	-	-	-	152,424
Kee Wong	**FY19**	**140,505**	**-**	**13,348**	**-**	**-**	**-**	**-**	**-**	**153,853**
	FY18	-	-	-	-	-	-	-	-	-
David Wiadrowski	**FY19**	**20,948**	**-**	**1,990**	**-**	**-**	**-**	**-**	**-**	**22,938**
	FY18	-	-	-	-	-	-	-	-	-
Steve Kloss (Alternate)	**FY19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY18	45,833	-	-	-	-	-	-	-	45,833
Former Non-Executive Directors										
Richard Collins	**FY19**	**159,734**	**-**	**10,266**	**-**	**-**	**-**	**-**	**-**	**170,000**
	FY18	231,441	-	19,165	-	-	-	-	-	250,606
Jeffrey Browne	**FY19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	FY18	211,144	-	-	-	-	-	-	-	211,144
Executive Directors										
Cameron McIntyre	**FY19**	**1,329,469**	**275,512**	**20,531**	**38,675**	**152,638**	**(159,455)**	**121,487**	**-**	**1,778,857**
	FY18	1,249,566	622,875	20,049	21,831	132,804	309,794	164,036	-	2,520,955
Other Senior Executives										
Ajay Bhatia	**FY19**	**803,719**	**121,714**	**20,531**	**20,622**	**71,218**	**(34,431)**	**42,247**	**-**	**1,045,620**
	FY18	764,951	297,795	20,049	13,349	66,618	107,939	61,823	-	1,332,524
Simon Ryan	**FY19**	**371,319**	**59,969**	**8,555**	**718**	**10,537**	**-**	**3,128**	**280,000**	**734,226**
	FY18	-	-	-	-	-	-	-	-	-
Paul Barlow	**FY19**	**594,500**	**92,424**	**25,000**	**15,106**	**55,431**	**(16,691)**	**26,669**	**-**	**792,439**
	FY18	565,000	234,210	25,000	9,936	50,980	67,796	39,963	-	992,885
Andrew Demery	**FY19**	**499,469**	**70,682**	**20,531**	**10,384**	**39,377**	**(16,582)**	**16,639**	**-**	**640,500**
	FY18	419,951	161,100	20,049	5,708	30,344	42,953	23,533	-	703,638
Former Executives										
Anthony Saines[1]	**FY19**	**302,070**	**-**	**10,266**	**-**	**51,761**	**-**	**-**	**378,348**	**742,445**
	FY18	685,000	309,323	25,000	12,034	68,357	121,777	71,061	-	1,292,552
Total KMP FY19		**4,951,431**	**620,301**	**194,461**	**85,505**	**380,962**	**(227,159)**	**210,170**	**658,348**	**6,874,019**
Total KMP FY18		**4,744,521**	**1,625,303**	**196,768**	**62,858**	**349,103**	**650,259**	**360,416**	**-**	**7,989,228**

1. Anthony Saines ceased employment as a KMP on 15 January 2019.

4.3 Remuneration mix (percentage of total remuneration)

The relative proportions of fixed remuneration, STI (at cap) and LTI in each Senior Executive's remuneration package is provided in the diagram below.



Non-Executive Directors receive 100% fixed remuneration.

5. Remuneration Outcomes

5.1 Service Conditions

All Senior Executives have service agreements determining fixed remuneration comprising cash salary and superannuation and performance based variable reward comprising STI opportunity and participation in the Company's LTI Plan. They have no fixed employment terms and no special termination payment conditions. All agreements provide for dismissal due to gross misconduct. The termination notice period is 6 months by either party and there is a 6 month non-compete period.

5.2 Fixed Remuneration (base salary and superannuation)

Fixed remuneration is generally positioned between the median and the 75th percentile of the relevant market, which allows flexibility required to retain high-calibre Senior Executives. The annual fixed remuneration entitlements of the Senior Executives for FY19 is set out below:

Name	**Annual fixed remuneration from 1 July 2018 to 30 June 2019**
C McIntyre	$1,350,000
A Bhatia	$824,250
S Ryan	$920,000
P Barlow	$619,500
A Demery	$520,000
A Saines	$745,500

Actual fixed remuneration paid to Senior Executives is shown in the remuneration tables in section 4.1. Within the FY19 annual review, the CEO's fixed remuneration increased by 6.3% and other Senior Executives increased by 5.0% with the exception of the CFO who received an increase of 18.2% as a market adjustment. No Senior Executives elected to receive a proportion of their salary package in the form of non-financial benefits.

5.3 FY19 STI plan (cash bonus and deferred equity grant) and outcomes

The Remuneration and Nomination Committee annually determine appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes recommending to the Board the maximum payout under the STI plan and minimum levels of performance to trigger payment of an STI.

The Remuneration and Nomination Committee is responsible for assessing whether the KPIs are met, whether or not STIs will be paid and making recommendations to the Board on these matters. The Board maintains discretion to review the performance against individual targets and the overall outcome of the STI award, to ensure it is congruent with the overall performance of the Company and of the individual Executive, within the participant's maximum STI opportunity.

5.3.1 FY19 Short-Term Incentive Plan Structure

<table>
<tr><th>Participants</th><th>Senior Executives</th></tr>
<tr><td>Award vehicle</td><td>Subject to the achievement of the relevant financial and strategic targets:
• 75% of the award is made as a cash payment; and
• 25% is awarded in equity (performance rights), vesting of which is deferred for an additional 12 months subject to a continued service condition. Performance rights are issued for no cash consideration. No dividends are payable until the performance rights vest into ordinary shares at the conclusion of the 12-month period.</td></tr>
<tr><td>Performance period</td><td>12 months, commencing 1 July 2018 and ended on 30 June 2019.

For the deferred equity portion, the award vests after the publication of the 2020 Annual Report, subject to the continued service condition being achieved.</td></tr>
<tr><td>Performance measures</td><td>The STI plan incorporates both financial and non-financial performance measures.
The performance measures and their relative weightings are:
<table>
<tr><th>Category</th><th>Measures</th><th>Weighting</th></tr>
<tr><td>Financial</td><td>Look through revenue</td><td>35%</td></tr>
<tr><td></td><td>Adjusted NPAT</td><td>35%</td></tr>
<tr><td>Non-financial</td><td>Strategic and personal objectives</td><td>20%</td></tr>
<tr><td></td><td>People and culture metrics</td><td>10%</td></tr>
</table></td></tr>
<tr><td>Selection of Performance Measures</td><td>In setting the performance measures for the FY19 STI plan, the Board took into consideration the early stage of many of the Company's international investments. Look through revenue was considered an appropriate measure to account for the stage of these investments, with a continued focus on growing these businesses. Adjusted NPAT was selected by the Board to ensure a focus on both top and bottom line growth so profits are being generated for shareholders.

The non-financial measures within the plan recognises the importance of strategic initiatives which correlate to the Company's business strategy as well as the critical role culture and employee satisfaction play in the Company's success.</td></tr>
</table>

Link of performance and reward	For each measure, there is a minimum threshold of performance required to be met before any pay-out is awarded for each particular portion of the STI. A sliding scale for each measure applies to the achievement of financial and non-financial measures from the minimum performance threshold, through to 100% for 'on-target' performance and up to an individual's STI cap for exceeding target. To protect the commercial sensitivity of each objective outcome, the Company has used the following references and applied a relevant reference to the plan objective: • Exceeded – The actual objective outcome exceeded the target objective outcome. • On-target – The actual objective outcome was equal to the target objective outcome. • Partial achievement – The actual objective outcome while below the target objective outcome was still high enough that some achievement was reported. • Missed – The actual objective outcome was materially below the target objective outcome, or below the minimum threshold set for achievement.
Cessation of employment	If a Senior Executive ceases employment with the Company prior to any awards being paid, unless the Board determines otherwise, the Executive will forfeit any awards to be paid for the performance period.

5.3.2 FY19 Short-Term Incentive Plan Award and Objective Outcomes

The Board has conducted an assessment of the performance of plan objectives and the information below describes each component of the plan's performance outcomes.

5.3.2.1 70% Financial Measures

The financial objectives relate to performance against Board approved annual key financial targets of the Company, ensuring that the Company is mindful of expected consensus earnings expectations.

The achievement of the financial measures were:

Metric	Achievement
Look through revenue	Partial Achievement
Adjusted NPAT	Missed

Look through revenue is defined as ordinary revenue reported for the consolidated Group adjusted for the ownership percentage held for the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.

Adjusted NPAT is defined as the Group's net profit after tax and non-controlling interests and excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs as determined by the Board, consistent with the adjusted NPAT that is disclosed when reporting the Company's annual results. The Board also retains discretion to alter the adjusted NPAT hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's control that would materially affect adjusted NPAT. The Board believes this metric gives the best reflection of the underlying trading performance of the Group and is an appropriate earnings metric to align to shareholder value.

Both the look through revenue and adjusted NPAT metrics exclude any corporate activity (such as acquisitions) made after the date of the 2018 AGM notice. Specifically, the look through revenue and adjusted NPAT measured achievement was adjusted to exclude the impact of the acquisition of the remaining 16.7% of chileautos that the Company did not already own, which occurred in December 2018. Look through revenue also included 50.1% of the revenue of Stratton Finance which is presented as a discontinued operation in the financial statements.

In December 2018 the Company announced the recognition of a $47.8m non-cash impairment charge against its 50.1% investment in Stratton Finance as a result of several external factors that had adversely impacted the valuation of the Company including ASIC regulatory changes in November 2018. The associated impairment charge was included in the calculation of adjusted NPAT performance.

This section of the plan enables Senior Executives to earn up to 100% of on-target earnings for over achievement against each of the above mentioned objectives (subject to the application of each individual's STI cap).

Achievement of the financial measures in the FY19 STI plan translated to an overall payout of 15% of on-target earnings for Senior Executives.

5.3.2.2 30% Strategic Objectives

The 30% strategic objectives portion of the STI is measured against:

- successful project delivery recognising the importance of strategic projects which may not have an immediate financial impact on the Company;
- achievement of people and culture targets recognising the vital role the Company's culture plays in its success; and
- individual goals of the Senior Executives recognising the unique role each of our executives play in the Company's operations.

The strategic objectives involve the execution of pre-determined project targets for which the Senior Executives are responsible. Projects may include the deployment of new products and technology, developing new markets or improving important strategic performance metrics. This section of the plan enables Senior Executives to earn up to 10% of on-target earnings for over achievement against each of the above mentioned objectives (subject to the application of each individual's STI cap).

There were 5 projects in FY19, four of which are common to all Senior Executives and one specific to each individual's set responsibilities. Common objectives relate to customer satisfaction, technology development, new revenue streams and new commercial products. Due to commercial sensitivity, each specific project objective is not outlined below. Achievement was as follows.

- Three project objectives – Exceeded
- One project objective – On-target
- Individual project objective – Missed (1), On-target (1), Exceeded (3)

Achievement of the strategic objectives of the FY19 STI plan translated to an overall payout of 21% to 28% of on-target earnings for Senior Executives.

The Company prides itself on having a highly engaged and motivated workforce with a strong sense of values, culture and passion. The people and culture component of the plan is designed to ensure Senior Executives are incentivised to nurture and build on these principles and values. The performance of this is measured through the annual Employee Engagement Survey, based on Group results. Senior Executives have the potential to earn up to 15% of on-target earnings for over achievement against the above mentioned objective (subject to the application of each individuals, STI cap).

Overall the Employee Engagement metric was exceeded. This was based on the Employee Opinion Survey results and also being recognised by the Great Place To Work® Institute. This translated to an overall payout of 13% to 15% of on-target earnings for each Senior Executive.

5.3.3 Overall STI financial outcomes

2019	Actual STI awarded $	% of target awarded	% of target forfeited	STI cap $	% of STI cap awarded
C McIntyre	**367,350**	**67%**	**33%**	**1,174,500**	**31%**
A Bhatia	**162,285**	**58%**	**42%**	**494,550**	**33%**
S Ryan	**79,959**	**54%**	**46%**	**552,000**	**14%**
P Barlow	**123,232**	**56%**	**44%**	**371,700**	**33%**
A Demery	**94,243**	**50%**	**50%**	**312,000**	**30%**

The Board used discretion when assessing the CEO's STI outcome, in particular noting his outstanding performance in relation to areas of the business that were undergoing significant external challenges, including new car sales and media, and achievement of overall cost management.

Under the FY19 STI plan 25% of the awarded STI is awarded in equity, vesting of which is deferred for an additional 12 months subject to a continued service condition.

2019	Actual STI awarded $	Paid in cash $	Deferred in equity $	Number of perfor-mance rights awarded
C McIntyre	**367,350**	**275,513**	**91,837**	**6,783**
A Bhatia	**162,285**	**121,714**	**40,571**	**2,996**
S Ryan	**79,959**	**59,969**	**19,990**	**1,476**
P Barlow	**123,232**	**92,424**	**30,808**	**2,275**
A Demery	**94,243**	**70,682**	**23,561**	**1,740**

6,783 performance rights will be issued to Mr McIntyre as the CEO after the release of this report to the ASX in August 2019, with an exercise price of $0.00. These performance rights were approved by shareholders at the AGM held on 26 October 2018.

8,487 performance rights will be issued to Senior Executives after the release of this report to the ASX in August 2019, with an exercise price of $0.00.

The number of performance rights awarded was determined by multiplying the actual STI awarded for the FY19 year by 25% and then dividing the volume weighted average price of the Company's shares for the 20 trading days prior to 1 July 2019, which was $13.54.

Subject to the continued service condition being satisfied, unless otherwise waived by the Board, performance rights will vest after the Board releases the 2020 Annual Report to the ASX.

5.4 Deferred Component of the 2018 STI

The amounts payable under this award based on the accounting Black Scholes valuations are as follows:

	Actual DSTI award vesting	
2019	Vested $	Vested %
C McIntyre	**193,570**	**100%**
A Bhatia	**92,541**	**100%**
A Saines	**96,133**	**100%**
P Barlow	**72,790**	**100%**
A Demery	**50,071**	**100%**

The cash value to each Senior Executive of the 2019 deferred component of their STI based on the 30 June 2019 share price is as follows:

	Actual DSTI award vesting	
2019	Vested $	Vested %
C McIntyre	**188,825**	**100%**
A Bhatia	**90,272**	**100%**
A Saines	**93,776**	**100%**
P Barlow	**71,005**	**100%**
A Demery	**48,843**	**100%**

5.5 LTI plans

There are three years of unvested LTI awards which have performance periods that include the FY19 financial year as follows:

Financial year of grant	Performance period	Relevant performance year to determine vesting	Vesting Dates
FY17	1 July 2016 – 30 June 2019	FY19	August 2019
FY18	1 July 2017 – 30 June 2020	FY20	August 2020
FY19	1 July 2018 – 30 June 2021	FY21	August 2021

The terms of each financial year award are set out below and vary for each year.

Ceasing employment

Senior Executives who leave the Company have 30 days from their date of departure to exercise any vested options unless such departure is under adverse conditions. In exceptional circumstances, and at the Board's discretion, Senior Executives may be allowed to retain unvested options and performance rights and exercise them in a future period when they vest.

Clawback

If the Board, in its reasonable opinion determines that a plan participant has engaged in any of the following conduct, the Board may declare that all, or some, of the participant's options, performance rights or ordinary shares held under the plan are forfeited:

(a) Cessation of employment, other than for special circumstances, redundancy or by mutual agreement between the Board and the participant;

(b) Material breach of the participant's obligations to the Company or a Subsidiary;

(c) Behaviour that brings the Company or Group into disrepute.

Hedging Policy

The Company's Option Plan specifically prohibits a plan participant from entering into any scheme, arrangement, agreement (including options and derivative products) or other hedging transaction under which the participant may alter or limit the economic benefit or risk to be derived from options, irrespective of future changes in the market price of any Company shares. Where a plan participant enters, or purports to enter, into any such scheme, arrangement or agreement, all options will immediately lapse.

Change of control

In the event of a change in control, while the Board maintains discretion in relation to unvested options, the default treatment will be:

(a) for unvested options subject to performance conditions, a pro-rata number will vest based on the extent to which applicable conditions have been satisfied;

(b) for unvested options subject to only continuing service conditions, the pro-rata number will vest based on the proportion of the period that has lapsed.

5.5.1 Unvested Long-Term Incentive Plan Structure – FY19 Grant Vesting FY21

Participants	Eligible employees under the carsales.com Ltd Employee Option Plan, established via a prospectus lodged with ASIC in 2000. Upon recommendation by the Remuneration and Nomination Committee, the Board determines who is eligible to participate in the plan.
Award vehicle	The LTI awards are a combination of options and performance rights and are issued for no cash consideration. There is 70% of the LTI awarded in performance rights, subject to financial performance measures and 30% awarded in options, subject to strategic objectives being met. Options and performance rights are issued subject to vesting rules and expiry periods. They vest on fixed dates provided employment has not been terminated, and targets are achieved. No dividends are paid during the performance period until the rights or options vest and are exercised by the Senior Executive. Options and performance rights issued to the CEO contain the same terms, conditions and performance targets as those issued to other Senior Executives.

<table>
<tr><td>Performance period</td><td>Performance is measured over a three-year period to 30 June 2021.

The expiry date of the FY19 award is fifteen years from the grant date.</td></tr>
<tr><td>Performance measures</td><td>Financial measures

70% of the award is tested pursuant to a financial matrix with Cumulative Annual Growth Rate measures for look through revenue and adjusted earnings per share (EPS). A minimum ‘gate’ threshold for both these metrics must be achieved in the performance period prior to any award vesting.

The targets have been set as follows:

<table>
<tr><th></th><th>Minimum CAGR</th><th>Maximum CAGR</th></tr>
<tr><td>Look through revenue</td><td>5%</td><td>10%</td></tr>
<tr><td>Adjusted EPS</td><td>5%</td><td>10%</td></tr>
</table>

Look through revenue is defined as ordinary revenue reported for the consolidated Group adjusted for the ownership percentage held for the group of consolidated subsidiaries, and adding in the Group’s ownership share of the underlying revenue for equity accounted associates.

Adjusted EPS is defined as earnings per share calculated by dividing the adjusted net profit after tax attributable to equity holders of the Company during the relevant period by the weighted average number of Ordinary Shares outstanding during the relevant period. The Board also retains discretion to alter the adjusted EPS hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management’s control that would materially affect adjusted EPS. The Board believes this metric gives an accurate reflection of the underlying trading performance of the Group and is an appropriate earnings metric to align to Shareholder value.

Both the look through revenue and adjusted EPS metrics exclude any corporate activity (such as acquisitions) made after the date of the AGM notice (25 September 2018), with the exception that should the Group dispose of any Group businesses or acquire additional equity stakes in any existing Group businesses the CAGR targets for both look through revenue and adjusted EPS will be altered to maintain the underlying CAGR growth rates targeted for the 2021 financial year. The Board also retains discretion to adjust the CAGR growth rates to include the impact of any strategically important acquisitions made during the performance period such that management is not materially advantaged or disadvantaged from entering into further acquisitions where it is in Shareholders’ interests to do so.

The look through revenue CAGR and adjusted EPS CAGR each make up 50% of the targets for the award to vest. The award will be capable of vesting and exercise if at the testing date the look through revenue and adjusted EPS CAGR targets have been achieved or exceeded as follows:
• If either the look through revenue or adjusted EPS CAGR minimum targets are not achieved, then no performance rights will be capable of exercise.
• If the minimum target is achieved for both measures, 30% of the performance rights will vest.
• If the maximum target is achieved or exceeded for both measures, 100% of the performance rights will vest.
• Provided the minimum of both targets are met, then there will be a pro-rata allocation of performance rights between the minimum of 30% and the maximum of 100% according to the results achieved for each target.</td></tr>
</table>

Performance measures continued	**Strategic Measures** 30% of the award is tested against strategic objectives. Objectives are as follows: • Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole; • Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set; and • Achievement of specified milestones which relate to projects that address the development of the automotive industry. Each strategic objective above will make up 10% of the overall value of the LTI (30% in total). The options for each objective will be capable of vesting and exercise if at the testing date the objectives have been achieved or exceeded as follows (the achievement of the objectives is determined by the Board): • If the objective is not achieved, then no options will be capable of exercise. • If the objective is partly achieved, then 50% of the options for that objective will be capable of exercise (5% of the total LTI value); and • If the objective is fully achieved, then 100% of the options for that objective will be capable of exercise (10% of the total LTI value).

The following unvested awards are outstanding for the FY19 award:

	Award Date	Number of options	Number of performance rights	Options exercise price $	Performance rights exercise price $	Vesting Date
CEO	26/10/2018	177,632	63,551	14.87	0	Aug-21
Other Senior Executives	26/10/2018	93,422	33,423	14.87	0	Aug-21

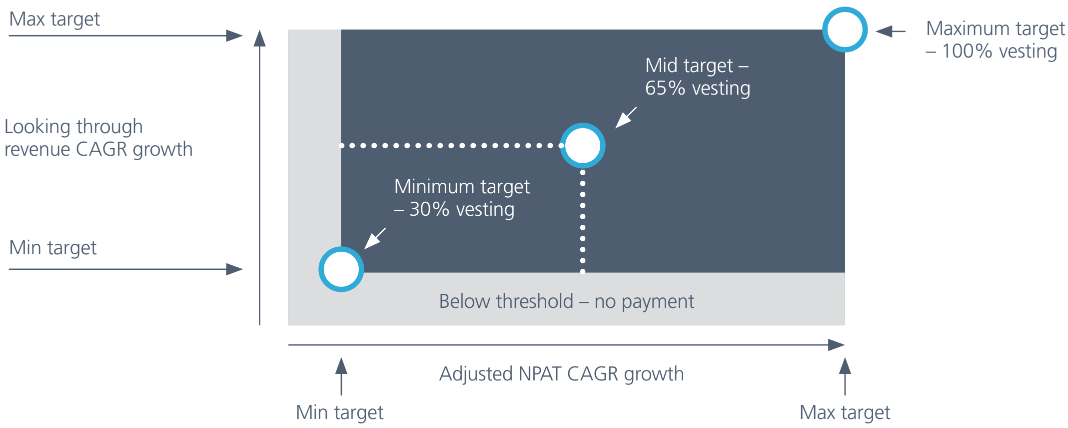
5.5.2 Unvested Long-term Incentive Plan Structure – FY18 Grant Vesting FY20

Participants	Eligible employees under the carsales.com Ltd Employee Option Plan, established via a prospectus lodged with ASIC in 2000. Upon recommendation by the Remuneration and Nomination Committee, the Board determines who is eligible to participate in the plan.
Award vehicle	The LTI awards are a combination of options and performance rights and are issued for no cash consideration. There is 70% of the LTI awarded in performance rights, subject to financial performance measures and 30% awarded in options, subject to strategic objectives being met. Options and performance rights are issued subject to vesting rules and expiry periods. They vest on fixed dates provided employment has not been terminated, and targets are achieved. No dividends are paid during the performance period until the rights or options vest and are exercised by the Senior Executive. Options and performance rights issued to the CEO contain the same terms, conditions and performance targets as those issued to other Senior Executives.
Performance period	Performance is measured over a three-year period to 30 June 2020. The expiry date of the FY18 award is fifteen years from the grant date.

Performance measures

Financial measures

70% of the award is tested pursuant to a financial matrix with measures of look through revenue Cumulative Annual Growth Rate (CAGR) growth and adjusted NPAT CAGR growth. A minimum 'gate' threshold for both these metrics must be achieved in the performance period prior to any award vesting. If the minimum target for either measure is not achieved, then no award will vest.



Note: diagram not to scale

The targets have been set as follows:

	Minimum CAGR	Maximum CAGR
Look through revenue	5.5%	11.3%
Adjusted NPAT	5.3%	10.1%

Look through revenue is defined as ordinary revenue reported for the consolidated Group adjusted for the ownership percentage held for the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates. This measure was adopted to ensure that Company's international investments, which represent a strong contributor to Company's medium to long-term growth, are provided with sufficient support and attention to grow in this phase of their life cycle.

Adjusted NPAT is defined as the Group net profit after tax and non-controlling interests and excludes acquired intangible asset amortisation and any material one-off transactions of a corporate nature, such as gains/losses on business disposals, non-cash associate revaluations, impact of capital reorganisations, or other significant non-recurring corporate transaction costs as determined by the Board, consistent with the adjusted NPAT that is disclosed when reporting the Company's annual results. The Board also retains discretion to alter the adjusted NPAT hurdle in exceptional circumstances to ensure there is no material advantage or disadvantage due to matters outside management's control that would materially affect adjusted NPAT. The Board believes this metric gives an accurate reflection of the underlying trading performance of the Group and is an appropriate earnings metric to align to Shareholder value.

Both the look through revenue and adjusted NPAT metrics exclude any corporate activity (such as acquisitions) made after the date of the AGM notice (26 September 2017) with the exception that should the Group dispose of any Group businesses or acquire additional equity stakes in any existing Group businesses the CAGR targets for both look through revenue and adjusted NPAT will be altered to maintain the underlying CAGR growth rates targeted for the 2020 financial year. The Board also retains discretion to adjust the CAGR growth rates to include the impact of any strategically important acquisitions made during the performance period such that management is not materially advantaged or disadvantaged from entering into further acquisitions where it is in Shareholders' interests to do so.

Performance measures continued	The look through revenue CAGR and adjusted NPAT CAGR each make up 50% of the targets for the award to vest. The award will be capable of vesting and exercise if at the testing date the look through revenue and adjusted NPAT CAGR targets have been achieved or exceeded as follows: • If either the look through revenue or adjusted NPAT CAGR minimum targets are not achieved, then no performance rights will be capable of exercise. • If the minimum target is achieved for both measures, 30% of the performance rights will vest. • If the maximum target is achieved or exceeded for both measures, 100% of the performance rights will vest. • Provided the minimum of both targets are met, then there will be a pro-rata allocation of performance rights between the minimum of 30% and the maximum of 100% according to the results achieved for each target. **Strategic Measures** 30% of the award is tested against strategic objectives. Objectives are as follows: • International revenue growth, reflecting the strategic importance of this to the long-term success of the Group; • Growth in Australian non-classified automotive products and services revenues, reflecting the importance of the diversification of the revenue base from the Group's traditional product set; and • Successful development and deployment of the Group's technology into the core business and leveraging this into adjacent market and international businesses. Each strategic objective above will make up 10% of the overall value of the LTI (30% in total). The options for each objective will be capable of vesting and exercise if at the testing date the objectives have been achieved or exceeded as follows (the achievement of the objectives is determined by the Board): • If the objective is not achieved, then no options will be capable of exercise. • If the objective is partly achieved, then 50% of the options for that objective will be capable of exercise (5% of the total LTI value); and • If the objective is fully achieved, then 100% of the options for that objective will be capable of exercise (10% of the total LTI value).

The following unvested awards are outstanding for the FY18 award:

	Award Date	Number of options	Number of perfor-mance rights	Options exercise price $	Perfor-mance rights exercise price $	Vesting Date
CEO	27/10/17	115,243	72,530	11.41	0	Aug-20
Other Senior Executives	27/10/17	64,536	40,617	11.41	0	Aug-20

5.5.3 Unvested Plan Structure for FY17 award vesting in FY19

Participants	Eligible employees under the carsales.com Ltd Employee Option Plan, established via a prospectus lodged with ASIC in 2000. Upon recommendation by the Remuneration and Nomination Committee, the Board determines who is eligible to participate in the plan.
Award vehicle	The LTI awards are a combination of options and performance rights and are issued for no cash consideration. 40% of the total value of the award is awarded in options with an exercise price of $12.23, being the volume weighted average price of the Company's Shares for the 21 days prior to 1 July 2016. 60% of the total value of the award is awarded in performance rights with a $0 exercise price. Options and performance rights are issued subject to vesting rules and expiry periods and vest on fixed dates provided employment has not been terminated, and RTSR and/or EPS targets have been achieved. No dividends are paid during the performance period and until the rights or options vest/are exercised by the Senior Executive. Amounts received on the exercise of options are recognised as share capital. Options and performance rights issued to the CEO contain the same terms, conditions and performance targets as those issued to other Senior Executives.
Performance period	Performance is measured over a three-year period to 30 June 2019. The expiry date of the FY17 award is fifteen years from the grant date.
Performance measures	The FY17 award is subject to both EPS (70% of total award) and Relative Total Shareholder Return (RTSR) (30% of total award) targets. **EPS Measure** The minimum EPS target required for any of the awarded options and performance rights to vest is a target that will require the Company to achieve an EPS value that will reflect a significant compound annual growth rate (CAGR) in EPS between the baseline year and the testing year. The Company has published the minimum and maximum EPS target that was applicable to the grant, along with the actual EPS achieved by the Company in the relevant year. Options and performance rights subject to the EPS target will be capable of exercise, at the relevant testing date if the EPS target for the relevant period has been achieved or exceeded as follows: • If the EPS achieved is equal to the minimum target, 70% of the vested options and performance rights will be capable of exercise; • If the EPS achieved is equal to or exceeds the maximum target, 100% of the vested options and performance rights will be capable of exercise; and • If the EPS achieved is between the minimum and maximum targets, vested options and performance rights will be capable of exercise on a pro-rata basis between 70% and 100%.

Performance measures continued	In considering the appropriate EPS target, the Board uses the historical earnings performance of the Company, forward looking market consensus earnings expectations and other internal forward looking plans as inputs for determining the appropriate objective. Minimum and maximum EPS targets for the options and performance rights were set for the period ended 30 June 2019 and the award of options and performance rights was approved by shareholders at the 2016 AGM on 25 October 2016. **RTSR Measure** The RTSR metric measures the returns provided to carsales shareholders over a 3-year period from 1 July 2016 to 30 June 2019, including movements in share price and dividends paid. The RTSR metric is adjusted for any significant corporate share capital restructuring (for example a stock split or rights issue). The company's actual TSR is then compared against a comparator group to create a RTSR metric. The comparator group used in the RTSR calculation is the ASX200 as at 30 June 2016. Options and performance rights subject to the RTSR target will be capable of exercise, at the relevant testing date if the RTSR target for the relevant period has been achieved or exceeded as follows: • If the relative ranking against the comparator group is below the 50th percentile no performance rights or options will be capable of exercise; • If the relative ranking against the comparator group is at the 50th percentile, 50% performance rights or options will be capable of exercise; • If the relative ranking against the comparator group is between the 50th percentile and the 75th percentile performance rights or options will be capable of exercise on a straight line pro-rata basis from 50% to 100%; and • If the relative ranking against the comparator group is at or above the 75th percentile 100% performance rights or options will be capable of exercise. The minimum and maximum EPS and RTSR targets for the options and performance rights have been set by the Board, with a testing date of 30 June 2019 and are exercisable after the Board releases the Annual Report to the ASX for FY19.

The following awards have been performance tested in the year for the FY17 award:

	Award Date	Number of options	Number of performance rights	Options exercise price $	Performance rights exercise price $	Vesting Date
CEO	28/10/16	149,907	31,287	12.23	0	Aug-19
Other Senior Executives	28/10/16	153,655	32,070	12.23	0	Aug-19

5.5.3.1 FY17 LTI award achievement

EPS and TSR targets relating to Senior Executives options and performance rights options and performance rights, together with the Company's actual achievements are as follows:

LTI			Minimum entitlement		Maximum entitlement		Actual achieved	
Grant	Vesting date	Measure	% payable	Target ($)	% payable	Target ($)	% payable	Target ($)
Year ended 30 June	August	EPS	70%	0.516	100%	0.562	76.60%	0.539
2017	2019	TSR	50%	50th percentile	100%	75th percentile	0.00%	43rd percentile

The actual EPS achieved for the LTI grant vesting in August 2019 of $0.539 per share is above the reported FY19 EPS of $0.350 cents per share and the same as the FY19 adjusted EPS of $0.539. In calculating the achieved EPS of $0.539 per share the Company excluded the earnings and related costs from the following acquisitions and investments that occurred after the AGM Notice of Meeting date of 27 September 2016:

- Demotores Group – acquired February 2017
- SK ENCARSALES.com Ltd – acquired January 2018
- Appraisal Solutions Pty Ltd – acquired April 2018

In addition, with the exception of the items set out below, all of the one-off items of a corporate nature incurred in FY19 were excluded in calculating adjusted NPAT (such as the gain on associate dilution and changes in the valuation of put option liabilities) as set out in Note 7 to the accounts have been excluded from the calculation of the achieved EPS.

As noted above in December 2018 the Board announced an impairment charge would be made against the investment in Stratton Finance and while this charge was included in the FY19 STI calculations it was not included in the testing of the FY17 LTI EPS calculations. The Board concluded that it was reasonable to isolate the impact of the impairment charge as the Company had no visibility of the regulatory change which led to the impairment at the time the award was granted. The one-off charges impacting EBITDA (being restructuring costs and FY18 bad debt write-offs) set out in Note 7 have been included in the calculation of the actual EPS achieved above.

The actual EPS achieved above includes a pro-forma adjustment to include SK ENCARSALES.com Ltd at 49.9% ownership by carsales for the full period to 30 June 2019 to reflect the same ownership basis on which the EPS targets were originally set in FY17.

The amounts payable (cash value at 30 June 2019) under the LTI grant vesting in August 2019 are as follows:

Summary - EPS & TSR

2019	Paid $	Paid %	Forfeited %	Forfeited $
C McIntyre	**305,211**	**49.4%**	**50.6%**	**312,986**
A Bhatia	**152,611**	**49.4%**	**50.6%**	**156,494**
P Barlow	**106,821**	**49.4%**	**50.6%**	**109,547**
A Demery	**53,404**	**49.4%**	**50.6%**	**54,772**

EPS only

2019	Paid $	Paid %	Forfeited %	Forfeited $
C McIntyre	**305,211**	**76.6%**	**23.4%**	**93,235**
A Bhatia	**152,611**	**76.6%**	**23.4%**	**46,619**
P Barlow	**106,821**	**76.6%**	**23.4%**	**32,634**
A Demery	**53,404**	**76.6%**	**23.4%**	**16,316**

TSR

2019	Paid $	Paid %	Forfeited %	Forfeited $
C McIntyre	-	0.0%	100.0%	219,750
A Bhatia	-	0.0%	100.0%	109,875
P Barlow	-	0.0%	100.0%	76,913
A Demery	-	0.0%	100.0%	38,457

5.6 Non-monetary benefits and other payments

Senior Executives receive salary continuance insurance cover that is also provided to all other carsales employees. The policy is held with MetLife Insurance Limited, but is not allocated on an individual employee basis.

Simon Ryan received a sign on bonus of $200,000 in the form of 16,706 zero priced options and a $80,000 paid in cash as compensation for foregoing entitlements from his previous employer upon termination.

Anthony Saines received a final payment of $484,630 comprising payment in lieu of notice and outstanding leave entitlements.

5.7 Non-Executive Directors' remuneration

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum payable to be shared by all Non-Executive Directors is $1,500,000 per annum as approved by shareholders at the Annual General Meeting held on 23 October 2015. The Directors determine how these are to be shared by the Directors.

Fees and payments to Non-Executive Directors are determined by the demands that are made on their time, as well as their responsibilities. Non-Executive Directors receive fixed, rather than variable pay.

The Board will from time to time invite a remuneration specialist to conduct a review and benchmarking of fees. The annualised fees paid to the Board are comfortably below the $1,500,000 pool approved by shareholders.

The following fee table applies:

Appointment	1 July 2019 fee table $
Chair fee	340,000
Base Director fee	140,000
Committee Chair fee	35,000
Committee Member fee	15,000

The Non-Executive Directors had the following committees and other roles during the year:

From 1 July 2018 – 4 January 2019:

Name	Board Chair	Audit and Risk Management Committee	Remuneration and Nomination Committee
R Collins	✓		
P O'Sullivan		Chair	Member
W Pisciotta			
K Anderson		Member	Chair
E Gilbert		Member	Member
K Wong		Member	

From 4 January 2019 – 23 May 2019:

Name	Board Chair	Audit and Risk Management Committee	Remuneration and Nomination Committee
P O'Sullivan	✓	Member	Member
W Pisciotta			
K Anderson		Member	Chair
E Gilbert		Interim Chair	Member
K Wong		Member	

From 23 May 2019 – 30 June 2019:

Name	Board Chair	Audit Committee	Remuneration and Nomination Committee	Risk Management Committee
P O'Sullivan	✓			
W Pisciotta			Member	
K Anderson		Member	Chair	
E Gilbert		Member	Member	Chair
K Wong			Member	Member
D Wiadrowski		Chair		Member

5.8 Additional information

5.8.1 Minimum Shareholding Requirements

Board

The Company requires all Board members to hold the equivalent of one year's base Director's fees in equity after 24 months' Board membership. All Board members currently meet this requirement.

Senior Executives

The Company does not have a documented minimum shareholding requirement for Senior Executives, but encourages all Senior Executives to hold shares in the Company and requests the CEO to raise the issue of shareholding with any Senior Executive who does not hold what is viewed by the Board as a reasonable amount of Company shares. In addition, through the LTI plan the Board is able to incorporate a significant portion of each Senior Executive's total remuneration in equity to ensure alignment with shareholders' interest.

5.8.2 STI and LTI Payments (cash, options & performance rights) achievement against maximum entitlement

All Senior Executives received grants that were equal to or less than their maximum potential STI entitlements. The relative proportions of remuneration which are linked to performance and those that are fixed based on the accounting values table in section 4.2 are as follows:

	Cash salary and superannuation		At risk - STI		At risk - DSTI		At risk – LTI	
Name	**2019 %**	**2018 %**	**2019 %**	**2018 %**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Non-Executive Directors								
Patrick O'Sullivan	**100**	100	**-**	-	**-**	-	**-**	-
Walter Pisciotta	**100**	100	**-**	-	**-**	-	**-**	-
Kim Anderson	**100**	100	**-**	-	**-**	-	**-**	-
Edwina Gilbert	**100**	100	**-**	-	**-**	-	**-**	-
Kee Wong	**100**	100	**-**	-	**-**	-	**-**	-
David Wiadrowski	**100**	100	**-**	-	**-**	-	**-**	-
Richard Collins	**100**	100	**-**	-	**-**	-	**-**	-
Executive Director								
Cameron McIntyre	**78**	51	**15**	25	**9**	5	**(2)**	19
Senior Executives								
Ajay Bhatia	**81**	60	**11**	22	**7**	5	**1**	13
Simon Ryan	**91**	0	**8**	0	**1**	0	**0**	0
Paul Barlow	**80**	60	**12**	24	**7**	5	**1**	11
Andrew Demery	**83**	63	**11**	24	**6**	4	**0**	9
Anthony Saines	**93**	56	**0**	24	**7**	5	**0**	15

5.8.3 Share based compensation disclosures

The terms and conditions of each grant of options and performance rights affecting remuneration in the current or a future reporting period are as follows:

Grant date	Date exercisable	Expiry date	Exercise price $	Value at grant date $	Vested %	Performance achieved
October 2015	August 2017	October 2020	$0.00	$8.74	80	Yes
October 2015	August 2018	October 2020	$10.24	$1.86	73	Yes
October 2015	August 2018	October 2020	$0.00	$8.44	73	Yes
October 2016	August 2018	October 2031	$0.00	$9.86	78	Yes
October 2016	August 2019	October 2031	$0.00	$9.49	n/a	Yes(i)
October 2016	August 2019	October 2031	$0.00	$4.87	-	No(ii)
October 2016	August 2019	October 2031	$12.23	$1.10	n/a	Yes(i)
October 2016	August 2019	October 2031	$12.23	$0.98	n/a	No(ii)
October 2017	August 2020	October 2032	$0.00	12.06	n/a	To be determined
October 2017	August 2020	October 2032	11.41	3.25	n/a	To be determined
July 2018	August 2019	October 2033	$0.00	13.87	n/a	Yes
October 2018	August 2021	October 2033	14.87	1.53	n/a	To be determined
October 2018	August 2021	October 2033	$0.00	10.93	n/a	To be determined
July 2019	August 2020	October 2034	$0.00	14.27	n/a	Yes(iii)

(i) LTI options and performance rights granted in October 2016 will apply 76.6% of this award that is expected to vest in August 2019 based on the EPS performance achievements tested at 30 June 2019.

(ii) LTI options and performance rights granted in October 2016 that were exercisable in August 2019 which were aligned to a TSR measure did not vest as a result of the Company not meeting the minimum TSR target which had been set.

(iii) Relates to performance rights granted under the FY19 STI plan for the 25% portion of the total STI award that is deferred in equity. Subject to satisfactory completion of the remaining service period this award is expected to vest in August 2020.

$0.00 exercise price represents performance rights.

When exercisable, each option is convertible into one ordinary share upon payment of the exercise price by the option holder, provided that the option holder complies with the rules of the carsales.com Ltd Employee Option Plan. Performance rights will automatically be converted to one ordinary share upon the vesting date provided the holder complies with the rules of carsales.com Ltd Employee Option Plan.

Options and performance rights not exercised expire at the earliest of (a) the expiry date applicable to the option or performance right, (b) 30 days post the employee ceasing to be employed by carsales.com Ltd, (c) where EPS or RTSR vesting conditions are not met at the relevant date, or (d) where there has been a special circumstance, then within 90 days after that special circumstance has occurred or as specified by the Board.

Details of options and performance rights granted over ordinary shares in the Company provided as remuneration to each of the Executive Leadership Team are set out below:

Name	Number of options granted during the year 2019	Number of performance rights granted during the year 2019	Value of options at grant date 2019 $	Value of performance rights at grant date 2019 $	Number of options and performance rights vested during the year 2019
Executive Director					
C McIntyre	177,632	70,334	271,937	791,574	98,093
Senior Executives					
A Bhatia	46,053	19,472	70,503	222,891	49,046
S Ryan	26,316	10,891	40,287	124,001	-
P Barlow	26,316	11,690	40,287	135,405	34,332
A Demery	21,053	9,272	32,230	107,180	17,166

Further information on the options and performance rights is set out in Note 27 to the financial statements.

5.8.4 Shares provided on exercise of remuneration options and performance rights

Details of ordinary shares in the Company provided as a result of the exercise of options and performance rights by each Senior Executive are set out below.

Name	Date of exercise of options and performance rights	Number of ordinary shares issued on exercise of options and performance rights during the year	Value at exercise date* $
Executive Director			
C McIntyre	August 2018	22,588	341,531
Senior Executives			
A Bhatia	August 2018	10,222	154,557
A Bhatia	September 2018	32,204	484,348
A Saines	August 2018	12,819	193,823
A Saines	February 2019	40,091	517,575
P Barlow	August 2018	6,963	105,281
A Demery	August 2018	4,206	63,596

* The value at the exercise date of options and performance rights that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options and performance rights at that date.

5.8.5 Share-based compensation benefits

For each grant of options and performance rights, the percentage of the available grant that vested in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The vesting periods for options and performance rights are detailed above. No options and performance rights will vest if the conditions are not satisfied, hence the minimum value of the options and performance rights yet to vest is nil. The value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options and performance rights that is yet to be expensed.

Share-based compensation benefits (options and performance rights);

Name	Financial year granted	Vested %	Forfeited %	Financial years in which grant may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
C McIntyre	2017	-	50.6%	2019*	-	9,994
C McIntyre	2018	-	-	2020*	-	1,102,936
C McIntyre	2019	-	-	2020*	-	16,131
C McIntyre	2019	-	-	2021*	-	945,580
A Bhatia	2017	-	50.6%	2019*	-	4,997
A Bhatia	2018	-	-	2020*	-	308,817
A Bhatia	2019	-	-	2020*	-	7,712
A Bhatia	2019	-	-	2021*	-	245,149
S Ryan	2019	-	-	2021*	-	140,087
P Barlow	2017	-	50.6%	2019*	-	3,498
P Barlow	2018	-	-	2020*	-	176,472
P Barlow	2019	-	-	2020*	-	6,066
P Barlow	2019	-	-	2021*	-	140,087
A Demery	2017	-	50.6%	2019*	-	1,749
A Demery	2018	-	-	2020*	-	132,357
A Demery	2019	-	-	2020*	-	4,173
A Demery	2019	-	-	2021*	-	112,070

* Vesting is contingent upon Board approval. Options are exercisable after the Board releases the results to ASX in August each year.

(i) Option holdings and performance rights

The numbers of options and performance rights over ordinary shares in the Company held during the financial year by each Director of carsales.com Ltd and other Key Management Personnel of the Company, including their personally related parties, are set out below.

2019

Name	Balance at start of the year	Granted as compensation (including performance rights)	Exercised	Forfeited	Other change	Balance at the end of the year	Vested and exercisable	Unvested
Non-Executive Directors								
P O'Sullivan	-	-	-	-	-	-	-	-
W Pisciotta	-	-	-	-	-	-	-	-
K Anderson	-	-	-	-	-	-	-	-
E Gilbert	-	-	-	-	-	-	-	-
K Wong	-	-	-	-	-	-	-	-
D Wiadrowski	-	-	-	-	-	-	-	-
R Collins	-	-	-	-	-	-	-	-
Executive Directors								
C McIntyre	496,214	255,139	(22,588)	(33,967)	-	694,798	70,693	624,106
Other Senior Executives								
A Bhatia	200,980	69,201	(42,426)	(15,381)	-	212,374	-	212,374
S Ryan	-	52,437	-	-	-	52,437	16,706	35,731
P Barlow	132,900	40,979	(6,963)	(10,481)	-	156,435	21,993	134,442
A Demery	75,076	32,195	(4,206)	(5,543)	-	97,522	11,086	86,437
A Saines	72,188	6,931	(52,910)	(19,277)	-	6,932	-	6,932

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of carsales.com Ltd and other Key Management Personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2019	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Non-Executive Directors				
Ordinary shares				
P O'Sullivan	15,000	-	8,268	23,268
W Pisciotta	8,836,298	-	-	8,836,298
K Anderson	15,000	-	-	15,000
E Gilbert	25,000	-	833	25,833
K Wong	-	-	11,295	11,295
D Wiadrowski	-	-	1,580	1,580
S Kloss (Alternate)	2,774,500	-	-	2,774,500
R Collins	595,688	-	(595,688)	-
Executive Directors				
C McIntyre	179,912	22,588	-	202,500
Other Senior Executives				
A Bhatia	6,167	-	(5,032)	1,135
S Ryan	-	-	-	-
P Barlow	33,660	6,963	-	40,623
A Demery	-	4,206	-	4,206
A Saines	21,050	8,950	(30,000)	-

5.8.6 Other transactions with Key Management Personnel

Conflicts and transactions with KMP are handled in accordance with the Board Charter available at http://shareholder.carsales.com.au/Investor-Centre/.

(i) Directors of carsales.com Ltd

W Pisciotta is a shareholder of Pentana Solutions Pty Ltd, which has a commercial relationship with the Company. Mr Pisciotta and Mr Kloss were absent from all Board discussions related to any commercial arrangement of Pentana Solutions and only those directors who are independent of Pentana Solutions were involved in the approval of the agreement. The total amount paid by carsales to Pentana Solutions was $1,571,408.

E Gilbert is a Director of automotive dealerships which utilised the Group's services under terms and conditions no more favourable than dealing with other customers at arm's length in the same circumstances. The total amount paid to carsales by automotive dealerships, of which E Gilbert is a shareholder, was $422,708.

R Collins is a shareholder of automotive dealerships which utilised the Group's services under terms and conditions no more favourable than dealing with other customers at arm's length in the same circumstances. The total amount paid to carsales by automotive dealerships, of which R Collins is a shareholder up until his departure from the Company, was $345,594.

Neither Mr Collins nor Ms Gilbert received any additional benefits to their dealerships from their participation on the Company Board.

5.8.7 Shares under option and performance rights

Unissued ordinary shares of carsales.com Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares $	Number under options	Number under performance rights
Aug-17	Aug-19	$0.00	-	48,448
Oct-14	Oct-19	$10.71	24,667	-
Oct-15	Oct-20	$10.24	215,500	-
Oct-16	Oct-31	$12.23	631,658	-
Oct-16	Oct-31	$0.00	-	123,076
Oct-17	Oct-32	$11.41	311,432	-
Oct-17	Oct-32	$0.00	-	196,000
Oct-18	Oct-33	$14.87	495,204	-
Oct-18	Oct-33	$0.00	-	177,157
Feb-19	Feb-34	$0.00	16,706	-
			1,695,167	**544,681**

No option or performance rights holder has any right under the options or performance rights to participate in any other share issue of the Company. No options or performance rights have been issued post 30 June 2019.

5.8.8 Shares issued on the exercise of options and performance rights

The following ordinary shares of carsales.com Ltd were issued during the year ended 30 June 2019 on the exercise of options granted under the carsales.com Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

Date options and performance rights exercised	Issue price of shares $	Number of shares $
Aug-18	$ 9.10	3,835
Aug-18	$ 0.00	104,111
Sep-18	$ 9.10 - $ 10.71	118,015
Oct-18	$ 9.10 - $ 10.71	21,835
Oct-18	$ 0.00	20,579
Nov-18	$ 10.24	2,281
Dec-18	$ 10.24	3,041
Feb-19	$ 10.24	46,174
Mar-19	$ 10.24	35,051
Apr-19	$ 10.24	7,206
May-19	$ 10.24 - $ 10.71	1,316

Other Directors' Report Disclosures

Directors

The following persons were Directors of carsales.com Ltd during the financial year and up to the date of this report unless indicated otherwise:

Pat O'Sullivan
Non-Executive Chair
Appointed Chair on 4 January 2019

Richard Collins
Non-Executive Chair
Retired from the Board on 4 January 2019

Cameron McIntyre
Managing Director

Wal Pisciotta
Non-Executive Director

Kim Anderson
Non-Executive Director

Edwina Gilbert
Non-Executive Director

Kee Wong
Non-Executive Director
Appointed to the Board on 9 July 2018

David Wiadrowski
Non-Executive Director
Appointed to the Board on 23 May 2019

Steve Kloss (Alternate)
Non-Executive Director

The number of full Board meetings attended, and sub-committee meetings attended where a Board member is a member of that sub-committee are set out below:

Meetings of Directors	Full scheduled meetings of directors		Short teleconference meetings of directors		Ad hoc meetings of directors	
	A	**B**	**A**	**B**	**A**	**B**
Richard Collins (Chair until 4 January 2019)	6	4	1	1	1	0
Pat O'Sullivan (Chair from 4 January 2019)	12	12	2	2	4	3*
Cameron McIntyre	12	12	2	2	4	4
Wal Pisciotta	12	12	2	0	4	3
Kim Anderson	12	12	2	2	4	4
Edwina Gilbert	12	12	2	2	4	4
Kee Wong (appointed 9 July 2018)	12	12	2	2	4	4
David Wiadrowski (appointed 23 May 2019)	2	2	-	-	1	0
Steve Kloss (alternate director)	12	8	2	1	4	2

*Mr O'Sullivan did not attend the ad hoc meeting at which Chair appointment was determined due to conflict of interest.

A = Number of meetings held during the time the director held office during the year
B = Number of meetings attended

During FY19 the Audit and Risk Committee was split into two separate sub-committees and so attendance for each sub-committee is reported separately below:

Director name	Number of Audit and Risk Management Committee meetings during tenure	Number of Audit and Risk Management Committee meetings attended
Pat O'Sullivan (Chair until 4 January 2019)	4	4
Kim Anderson	4	4
Edwina Gilbert (Interim Chair from 4 January 2019)	4	4
Kee Wong	4	4

Director name	Number of Audit Committee meetings during tenure	Number of Audit Committee meetings attended
David Wiadrowski (Chair)	1	1
Kim Anderson	1	1
Edwina Gilbert	1	1

Director name	Number of Risk Management Committee meetings during tenure	Number of Risk Management Committee meetings attended
Edwina Gilbert (Chair)	1	1
David Wiadrowski	1	1
Kee Wong	1	1

Director name	Number of Remuneration and Nomination Committee meetings during tenure	Number of Remuneration and Nomination Committee meetings attended
Kim Anderson (Chair)	4	4
Pat O'Sullivan	3	3
Edwina Gilbert	4	4
Kee Wong	1	1
Wal Pisciotta	1	0

Dividends – carsales.com Ltd

Dividends paid to members during the financial year were as follows:

	2019 $'000	2018 $'000
Final fully franked dividend for the year ended 30 June 2018 of 23.7 cents (2017: 21.5 cents) per fully paid ordinary share paid on 10 October 2018 (2017: 19 October 2016).	**57,640**	52,035
Interim fully franked dividend for the year ended 30 June 2019 of 20.5 cents (2018: 20.5 cents) per fully paid share paid on 5 April 2019 (2018: 17 April 2018)	**49,989**	49,719
	107,629	101,754

At the end of the financial year the Directors have recommended the payment of a fully franked final ordinary dividend of $61,150,000 (25.0 cents per share) to be paid on 9 October 2019 out of retained earnings at 30 June 2019.

Significant changes in the state of affairs

During the financial year the Company continued to deliver on its strategy both domestically and internationally. Further details are set out in the Operational and Financial Review on pages 32 to 35.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

Insurance of officers

During the financial year, carsales.com Ltd paid a premium to insure the Directors and officers of the Company and its Australian-based controlled entities. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification of Directors and officers

All current Directors and officers are indemnified under a deed of indemnity, insurance and access.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor (PwC) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 $’000	2018 $’000
Audit and other assurance services		
Due diligence services	**31,620**	94,400
Total remuneration for audit and other assurance services	**31,620**	94,400
Taxation services		
Tax compliance services, including review of Company income tax returns	**98,960**	161,671
Tax consulting and tax advice on mergers and acquisitions	**122,585**	28,056
Total remuneration for taxation services	**221,545**	189,727
Other services		
Other services	**30,553**	67,867
Total remuneration for other services	**30,553**	67,867
Total remuneration for non-audit services	**283,718**	351,994

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 82.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Director's Report. Amounts in the Director's Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate governance report

As allowed under the ASX Corporate Governance Principles and Recommendations (Third Edition) the Company has included its report on compliance with the principles in the year to 30 June 2019 in the Corporate Governance section of the Investor Centre on the carsales website. The full report can be found at the following URL: http://shareholder.carsales.com.au/Investor-Centre/?page=Corporate-Governance

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

Pat O'Sullivan
Chair

Cameron McIntyre
Managing Director and CEO

Melbourne
20 August 2019

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Lisa Harker

Lisa Harker
Partner

Melbourne
20 August 2019

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2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Financials Statement Contents

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Notes	2019 $'000	*Restated 2018 $'000
Continuing operations			
Revenue from contracts with customers	3	**417,494**	376,863
Revenue from continuing operations		**417,494**	376,863
Expenses			
Costs of sale		**(33,691)**	(29,870)
Sales and marketing expenses		**(81,330)**	(68,927)
Service development and maintenance		**(32,986)**	(26,017)
Operations and administration		**(64,261)**	(55,966)
Earnings before interest, taxes, depreciation and amortisation		**205,226**	196,083
Depreciation and amortisation expense		**(24,284)**	(15,628)
Finance income	10	**1,211**	362
Finance costs	10	**(15,066)**	(10,766)
Changes in fair value of put options		**11,253**	4,019
Share of net profit from associates accounted for using the equity method	21(c)	**3,124**	5,143
Gain on associates investment dilution	21(e)	**2,069**	1,251
Net gain on step acquisition of associate	22	**-**	57,019
Profit before income tax		**183,533**	237,483
Income tax expense	5(a)	**(50,204)**	(53,869)
Profit from continuing operations		**133,329**	183,614
Net result after tax from discontinued operations (attributable to the equity holders of the Company)	23	**(47,712)**	4,301
Profit for the year		**85,617**	187,915
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**11,866**	10,032
Reclassification of exchange differences on step acquisition of associate		**-**	(14,551)
Recycled share of remeasurement of net defined benefit liability of associates		**-**	185
Remeasurement of post-employment benefit obligations	12(a)	**642**	(35)
Loss on net investment hedge	12(a)	**(450)**	-
Loss on cash flow hedge	12(a)	**(12,163)**	-
Items that will not be reclassified to profit or loss:			
Changes in financial assets at fair value through other comprehensive income	12(a)	**(1,634)**	(715)
Other comprehensive income for the year		**(1,739)**	(5,084)
Total comprehensive income for the year		**83,878**	182,831
Profit is attributable to:			
Owners of carsales.com Ltd		**85,274**	184,556
Non-controlling interests		**343**	3,359
		85,617	187,915
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		**83,432**	179,644
Non-controlling interests		**446**	3,187
		83,878	182,831

Consolidated Statement of Comprehensive Income continued
For the Year Ended 30 June 2019

	Notes	2019 $'000	*Restated 2018 $'000
Total profit for the year is attributable to owners of carsales.com Ltd			
Continuing operations		**133,252**	182,296
Discontinued operations	23	**(47,978)**	2,260
		85,274	184,556

	Notes	Cents	*Restated Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent company:			
Basic earnings per share	7	**35.0**	76.1
Diluted earnings per share	7	**34.9**	75.9
Earnings per share for profit from continuing operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	7	**54.7**	75.2
Diluted earnings per share	7	**54.6**	75.0

*See Note 1 for details about restatements for changes in accounting policies.

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 $'000	*Restated 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**94,411**	65,061
Trade and other receivables	15	**61,238**	67,337
Inventories		**-**	2,038
Assets classified as held for sale	23(c)	**36,060**	-
Total current assets		**191,709**	134,436
Non-current assets			
Investments accounted for using the equity method	21(c)	**76,668**	68,150
Financial assets at fair value through other comprehensive income	21(d)	**19,905**	19,797
Property, plant and equipment	16	**10,512**	13,909
Deferred tax assets	5(d)	**16,123**	9,415
Intangible assets	17	**600,619**	658,955
Other receivables	15	**7,363**	5,859
Total non-current assets		**731,190**	776,085
Total assets		**922,899**	910,521
LIABILITIES			
Current liabilities			
Trade and other payables	18	**34,126**	50,226
Borrowings	10	**248**	246,024
Other financial liabilities	19	**-**	1,300
Current tax liabilities		**8,585**	15,819
Provisions	18	**6,815**	7,598
Deferred revenue		**5,277**	4,761
Liabilities directly associated with assets classified as held for sale	23(c)	**23,002**	-
Total current liabilities		**78,053**	325,728
Non-current liabilities			
Trade and other payables	18	**29**	278
Borrowings	10	**474,314**	208,734
Other financial liabilities	19	**9,538**	20,349
Derivative liabilities	19	**17,445**	-
Deferred tax liabilities	5(e)	**20,928**	20,898
Provisions	18	**912**	1,129
Total non-current liabilities		**523,166**	251,388
Total liabilities		**601,219**	577,116
Net assets		**321,680**	333,405
EQUITY			
Contributed equity	11	**135,372**	119,541
Reserves	12(a)	**(29,694)**	(24,427)
Retained earnings	12(c)	**209,934**	232,289
Non-controlling interests		**6,068**	6,002
Total equity		**321,680**	333,405

*See Note 1 for details about restatements for changes in accounting policies.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of carsales.com Ltd				
Balance at 1 July 2017		-	-	151,607	5,543	277,160
Impact of change in accounting policy*		-	-	(2,120)	(4)	(2,124)
Restated balance at 1 July 2017		**105,861**	**14,149**	**149,487**	**5,539**	**275,036**
Restated profit for the year*		-	-	184,556	3,359	187,915
Items that may be classified to profit or loss						
Exchange differences on translation of foreign operations		-	10,204	-	(172)	10,032
Reclassification on exchange difference on step acquisition of associate	12(a)	-	(14,551)	-	-	(14,551)
Recycled share of remeasurement of net defined benefit liability of associate		-	185	-	-	185
Remeasurement of post-employment benefit obligations	12(a)	-	(35)	-	-	(35)
Items that will not be reclassified to profit or loss						
Changes in financial assets at fair value through other comprehensive income	12(a)	-	(715)	-	-	(715)
Total comprehensive income for the year		**-**	**(4,912)**	**184,556**	**3,187**	**182,831**
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	11(b)	1,623	-	-	-	1,623
Increase in share-based payment reserve inclusive of tax		-	3,226	-	-	3,226
Dividends paid to members of the parent	13	12,057	-	(101,754)	-	(89,697)
Dividends paid to non-controlling interests		-	-	-	(2,592)	(2,592)
Non-controlling interests on acquisition of subsidiary		-	-	-	1,122	1,122
Transaction with non-controlling interests	12(a)	-	(36,890)	-	(1,254)	(38,144)
Balance at 30 June 2018		**119,541**	**(24,427)**	**232,289**	**6,002**	**333,405**

*See Note 1 for details about restatement for changes in accounting policies.

Consolidated Statement of Changes in Equity continued

For the Year Ended 30 June 2019

	Notes	Attributable to owners of carsales.com Ltd Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2018 as originally presented		119,541	(24,427)	234,696	6,011	335,821
Impact of change in accounting policy*		-	-	(2,407)	(9)	(2,416)
Restated balance at 1 July 2018		**119,541**	**(24,427)**	**232,289**	**6,002**	**333,405**
Profit for the year		-	-	85,274	343	85,617
Items that may be classified to profit or loss						
Exchange differences on translation of foreign operations		-	11,763	-	103	11,866
Remeasurement of post-employment benefit obligations	12(a)	-	642	-	-	642
Loss on cash flow hedge	12(a)	-	(12,163)	-	-	(12,163)
Loss on net investment hedge	12(a)	-	(450)	-	-	(450)
Items that will not be reclassified to profit or loss						
Changes in financial assets at fair value through other comprehensive income	12(a)	-	(1,634)	-	-	(1,634)
Total comprehensive income for the year		**-**	**(1,842)**	**85,274**	**446**	**83,878**
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	11(b)	2,412	-	-	-	2,412
Decrease in share-based payment reserve inclusive of tax		-	(562)	-	-	(562)
Dividends paid to members of the parent	13	13,419	-	(107,629)	-	(94,210)
Dividends paid to non-controlling interests		-	-	-	(898)	(898)
Non-controlling interests on acquisition of subsidiary		-	-	-	1,064	1,064
Transaction with non-controlling interests	12(a)	-	(2,863)	-	(546)	(3,409)
Balance at 30 June 2019		**135,372**	**(29,694)**	**209,934**	**6,068**	**321,680**

*See Note 1 for details about restatement for changes in accounting policies.

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**517,549**	467,930
Payments to suppliers and employees (including GST)		**(328,301)**	(295,822)
Income taxes paid		**(57,394)**	(52,774)
Net cash inflow from operating activities	6	**131,854**	119,334
Cash flows from investing activities			
Investment in subsidiaries, net of cash acquired		**-**	(231,226)
Investment in associates		**(1,330)**	(466)
Investment in financial assets at fair value through other comprehensive income		**(1,676)**	(764)
Payments for property, plant and equipment		**(3,813)**	(3,548)
Payments for intangible assets		**(5,147)**	(5,214)
Interest received		**1,226**	395
Proceeds from sale of property, plant and equipment		**23**	169
Dividends received from associates		**2,301**	1,550
Net cash outflow from investing activities		**(8,416)**	(239,104)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**2,412**	1,623
Proceeds from borrowings		**521,133**	334,525
Repayment of borrowings		**(495,626)**	(74,820)
Proceeds from financial instruments		**1,543**	-
Dividends paid to non-controlling interests		**(898)**	(2,592)
Dividends paid to company shareholders	13	**(94,210)**	(89,697)
Purchase of non-controlling interests		**(3,409)**	(13,592)
Interest paid		**(16,395)**	(10,120)
Net cash (outflow)/inflow from financing activities		**(85,450)**	145,327
Effects of exchange rates on cash and cash equivalents		**383**	(291)
Net increase in cash and cash equivalents		**38,371**	25,266
Cash and cash equivalents at the beginning of the financial year		**65,061**	39,795
Cash and cash equivalents – discontinued operations	23(c)	**(9,021)**	-
Cash and cash equivalents at the end of the financial year	9	**94,411**	65,061

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

Notes to the Consolidated Financial Statements

30 June 2019

About this report

This Financial Report covers the consolidated financial statements of the consolidated entity consisting of carsales.com Ltd, its subsidiaries and investments in associates. The Financial Report is presented in the Australian currency.

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 4, 449 Punt Road
Richmond Vic 3121

The Financial Report was authorised for issue by the Directors on 20 August 2019. The Directors have the power to amend and reissue the Financial Report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, Financial Reports and other information are available at our shareholders' centre on our website: www.carsales.com.au

For queries in relation to our reporting please call +61 (3) 9093 8600.

These financial statements have been streamlined where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions; or
- it relates to an aspect of the Group's operations that is important to its future performance.

Navigating this report

The notes are organised into the following sections:

- key performance: provides a breakdown of the key individual line items in the financial statements that the Directors consider most relevant to understanding performance and shareholder returns for the year and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- capital and financial risk management: provides information about the capital management practices of the Group, the Group's exposure and management of various financial risks and explains how these affect the Group's financial position and performance;
- other assets and liabilities: provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk;
- group structure: explains aspects of the group structure, such as our portfolio of associate accounted investments and acquisitions and how these have affected the financial position and performance of the Group; and
- other: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however, are not considered critical in understanding the financial performance or position of the Group.

Significant and other accounting policies that summarise the measurement basis used, presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Key reporting highlights

Notes containing information relevant to understanding significant changes to the Group's affairs and performance in the current year are as follows:

- the Group's performance – Note 2;
- full year dividend declared – Note 13;
- the adoption of the new accounting standards for financial instruments and revenue from contracts with customers – Note 1; and
- the Group's investment in Stratton Finance is presented as a held for sale asset and discontinued items – Note 23.

Key estimates and judgements

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below:

- goodwill impairment testing - Note 17 and Note 23; and
- carrying value and held for sale classification of Stratton – Note 23.

Basis of preparation

These general purpose financial statements have 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*. carsales.com Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with International Financial Reporting Standards

The Financial Report of carsales.com Ltd complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

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

(iii) Financial statement presentation

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated. FY18 comparative numbers have been restated to take into account the following matters:

- adoption of *AASB15 Revenue from Contracts with Customers* – Note 1;
- adoption of *AASB9 Financial Instruments* – Note 1;
- FY18 payroll costs and certain operating expenses for subsidiaries have been reclassified based on the relevant function and nature to ensure consistency across the Group; and
- The Group's investment in Stratton Finance Group (previously classified as the 'Finance and Related Services' segment) is presented as a held for sale asset and the Group has consequently adopted *AASB5 Non-current Assets Held for Sale and Discontinued Operations* – Note 23. The results of the Stratton Finance Group for the current and comparative periods have been classified as discontinued operations in the statement of comprehensive income and all related note disclosures. The Group has disclosed a single amount in the statement of comprehensive income representing the post-tax profit or loss of discontinued operations. The associated assets and liabilities are presented as held for sale within the balance sheet and are excluded from all related note disclosures in 2019. The comparative balance sheet remains unchanged. The consolidated statement of cash flows have been presented on a gross basis comprising both continuing and discontinued operations. The Group has separately disclosed the net cash flows attributable to each of operating, investing and financing activities of discontinued operations in Note 23.

(iv) Going concern

The financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd ('Company' or 'parent entity') as at 30 June 2019 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.

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 consolidated statement of comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has been restated for 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 consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income 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 other comprehensive income. 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 consolidated statement of comprehensive income as part of the gain or loss on sale where applicable.

Foreign currency translation

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

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 tax authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows 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.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

KEY PERFORMANCE

1. Changes in accounting policies

AASB15 Revenue from Contracts with Customers

AASB's new revenue model is based on the principal that revenue is recognised when control of a good or service transfers to a customer – the notion of control replaces the existing notion of risks and rewards. It also clarified how the consideration should be allocated between different deliverables in a contract.

The Group has adopted *AASB15 Revenue from Contracts with Customer*s effective from 1 July 2018. The Group has applied the fully retrospective approach and applied the AASB15 requirements to the comparative period resulting in a restatement to the opening retained earnings as at 1 July 2017 and 1 July 2018, whilst revenues were restated for the year ended 30 June 2018 and were recognised in accordance with AASB15 for the year ended 30 June 2019.

The Group has performed a review of all revenue and income streams including assessment of significant products and services provided to customers to identify any potential pricing or performance obligations which would be accounted for differently under the new standard. Based on this review, a small number of products were identified where revenue has been deferred under the new standard to match the completion of implicit performance obligations within the contract.

Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated to reflect the retrospective approach applied in adopting the accounting policies.

Consolidated statement of financial position	30 June 2017 As originally presented $'000	Adoption of AASB15 $'000	1 July 2017 Restated $'000
Trade and other payables	42,002	(126)	41,876
Deferred revenue	6,713	2,250	8,963
Retained earnings	151,607	(2,120)	149,487
Non-controlling interests	5,543	(4)	5,539

Consolidated statement of financial position	30 June 2018 As originally presented $'000	Adoption of AASB15 $'000	1 July 2018 Restated $'000
Trade and other payables	50,580	(354)	50,226
Deferred revenue	1,991	2,770	4,761
Retained earnings	234,696	(2,407)	232,289
Non-controlling interests	6,011	(9)	6,002

Consolidated statement of comprehensive income – *for continuing operations*	30 June 2018 As originally presented $'000	Adoption of AASB15 $'000	Discontinued operations* $'000	30 June 2018 Restated $'000
Revenue from contracts with customers	444,009	(519)	(66,627)	376,863
Costs of sale	(48,585)	227	18,488	(29,870)
Basic earnings per share	76.3	(0.2)	(0.9)	75.2
Diluted earnings per share	76.0	(0.1)	(0.9)	75.0

*Intercompany transactions between the discontinued operations and the continuing Group have been presented on a gross basis. See Note 23 for details about discontinued operations on standalone basis.

1. Changes in accounting policies continued

AASB9 Financial Instruments

AASB9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces *AASB139 Financial Instruments*: *Recognition and Measurement*.

The Group has adopted *AASB9 Financial Instruments* on 1 July 2018 and performed a review of its current classification and measurement of financial assets and liabilities for compliance with the requirements of the new standard. The main impacts for the Group are the classification of equity investments and measuring impairment of trade receivables.

The Group has elected to present in other comprehensive income (OCI) fair value gains and losses of all equity investments that are not held to trade. Investments classified as available-for-sale financial assets at 30 June 2018 are now classified as financial assets at fair value through other comprehensive income. Changes in fair value which were previously taken through other comprehensive income but could subsequently be taken to profit or loss, will no longer be reclassified to profit or loss. This election is irrevocable under *AASB9 Financial Instruments* and any gain or loss will not be recycled on disposal of the equity investment from other comprehensive income to profit or loss.

AASB9 introduces an expected credit loss model for impairment of financial assets. The Group has reviewed the requirements of the 'expected credit loss' model and applied this in assessing the level of required loss allowance. The application of this model did not identify any material differences compared to the previous methodology.

The Group has elected to adopt the new general hedge accounting model in AASB9 in respect to the AUD:KRW Cross Currency Swaps entered into on the 4th of July 2018. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. As the cross currency swaps were entered into in the current financial year, there was no reclassification or restatement as a result of the application of the new hedge accounting model.

New accounting standard not yet effective

AASB16 Leases (effective application date for the Group 1 July 2019)

AASB16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right-of-use leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the leasing arrangements over the last year in light of new lease accounting rules in AASB16. The standard will affect primarily the accounting for the Group's operating leases.

Approach of adoption

The Group intends to apply the fully retrospective approach upon the mandatory adoption date of 1 July 2019 and will apply the AASB16 requirements to the comparative period which will result in a restatement to the opening retained earnings on 1 July 2018. Right-of-use assets for leases will be measured on transition as if the accounting standards had always been applied since the inception of the leases.

Impact of adoption

As at the reporting date, the Group had non-cancellable operating lease commitments of $32.8 million - see Note 20. Of these commitments, approximately $0.1 million relates to short-term leases which will be recognised on a straight-line basis as an expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $64.2 million, lease liabilities of $74.3 million and net current assets will be $6.7 million lower due to the presentation of a portion of the lease liability as a current liability.

The Group expects that restated net profit after tax would decrease by approximately $1.8 million for the financial year ended 30 June 2019 as a result of adopting the new rules. Restated adjusted EBITDA is expected to increase by approximately $8.6 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liabilities are excluded from EBITDA upon adoption. Operating cash flows will increase and financing cash flows will decrease by approximately $8.6 million as repayment of the principal portion of the lease liabilities will be reclassified as cash flows from financing activities.

2. Segment information

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 CEO.

Management has determined the reporting segments based on the reports reviewed by the CEO that are used to make strategic decisions.

(a) Description of segments

The Group principally operates in five business segments: namely Online Advertising Services, Data, Research and Services, Latin America, Asia, and previously Finance and Related Services (classified as discontinued operations and treated in accordance with *AASB5 Non-current Assets Held for Sale and Discontinued Operations*).

Online Advertising Services – Australia

carsales.com Ltd Online Advertising Services can be broken into two key product sets being classified advertising and display advertising services.

Classified advertising allows customers (including dealers and consumers) to advertise automotive and non-automotive goods and services for sale across the carsales Network. Classified advertising typically allows a customer to advertise their red Brand X, model Y car with 20,000km for $10,000 on a carsales website. This segment includes services such as subscriptions, lead fees and priority placement services across automotive and non-automotive websites.

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

Online Advertising Services includes carsales' investment in tyresales.com.au which is an online tyre advertisement website that allows consumers to transact and purchase tyres as well as RedBook Inspect which provides inspection services to a range of corporate and private consumers which may be published online as part of classified advertisements.

Data, Research and Services – Australia

The carsales.com Ltd divisions of RedBook, LiveMarket, DataMotive and DataMotive Business Intelligence provide various solutions to a range of customers including manufacturers/importers, dealers, industry bodies, finance and insurance companies offering products including software, analysis, research and reporting, valuation services, website development and hosting as well as photography services. This segment also includes display and consumer advertising related to these divisions.

2. Segment information continued

International Segments

carsales.com Ltd has operations in overseas countries through subsidiaries, equity accounted associate investments and financial assets at fair value through other comprehensive income as set out below. The Group splits out the International segment into Latin America (LATAM) and Asia.

Latin America (LATAM)

Online Automotive Classifieds:

- Webmotors S.A. (operations in Brazil) – 30%
- Chileautos SpA (operations in Chile) – 100%
- carsales Mexico SAPI de CV (operations in Mexico) – 100%
- Demotores Chile SpA (operations in Chile) – 100%
- Demotores S.A. (operations in Argentina) – 100%

Asia

Online Automotive Classifieds:

- iCar Asia Limited (operations in Indonesia, Malaysia and Thailand) – 11.8%
- SK ENCARSALES.COM Ltd (operations in South Korea) – 100%

Automotive Data Services:

- Auto Information Limited (New Zealand) – 100%
- RedBook Automotive Services (M) Sdn Bhd (Malaysia) – 100%
- RedBook Automotive Data Services (Beijing) Limited (China) – 100%
- Automotive Data Services (Thailand) Company Limited – 100%

(*Percentage reflects ownership interests in the entities*).

Discountinued operations (previously "Finance and Related Services")

The previously disclosed Finance and Related Services Segment includes the Stratton Finance Pty Ltd subsidiary which provides innovative finance arrangements for vehicles, boats, other leisure items, vehicle procurement and other related services to customers. Revenues arise from commissions paid by finance providers and other related service providers. The Group announced in June 2019 that it is conducting a strategic review and pursuing the sale of its 50.1% interest in Stratton. Timing of a potential sale of carsales' interest in Stratton will be determined following the completion of the strategic review, but is expected to be within 12 months, and hence the results of Stratton have been presented as a discontinued operation.

(b) Segment analysis

2019	Online Advertising Services $'000	Data, Research and Services $'000	Latin America $'000	Asia $'000	Total $'000
Total segment revenue	**300,112**	**43,147**	**9,131**	**65,104**	**417,494**
Gross profit	**267,395**	**42,173**	**9,131**	**65,104**	**383,803**
EBITDA	**154,268**	**24,789**	**(5,869)**	**32,038**	**205,226**
Depreciation and amortisation expense					**(24,284)**
Net interest expense					**(13,855)**
Changes in fair value of put options					**11,253**
Profit before income tax					**178,340**
Income tax expense					**(50,204)**
Share of profit from associates			**5,150**		**5,150**
Share of loss from associates – unallocated					**(2,026)**
Gain on associate investment dilution					**2,069**
Loss from discontinued operations					**(47,712)**
Non-controlling interests					**(343)**
Profit for the year					**85,274**
Segment assets	**125,232**	**17,215**	**96,645**	**471,080**	**710,172**
Assets classified as held for sale					**36,060**
Deferred tax assets					**16,123**
Unallocated assets					**160,544**
Total assets					**922,899**

2. Segment information continued

Restated 2018	Online Advertising Services $'000	Data, Research and Services $'000	Latin America $'000	Asia $'000	Total $'000
Total segment revenue	296,777	42,150	8,201	29,735	376,863
Gross profit	267,390	41,667	8,201	29,735	346,993
EBITDA	158,335	24,597	(2,556)	15,707	196,083
Depreciation and amortisation expense					(15,628)
Net interest expense					(10,404)
Changes in fair value of put options					4,019
Profit before income tax					174,070
Income tax expense					(53,869)
Share of profit from associates			3,628	3,489	7,117
Share of loss from associates – unallocated					(1,974)
Gain on associate investment dilution					1,251
Net gain on step acquisition of associate				57,019	57,019
Profit from discontinued operations					4,301
Non-controlling interests					(3,359)
Profit for the year					184,556
Segment assets	128,813	15,967	90,825	469,030	704,635
Assets previously presented in finance and related services					84,007
Deferred tax assets					9,415
Unallocated assets					112,464
Total assets					910,521

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

(i) Segment revenue and gross profit
Segment revenue is derived from sales to external customers as set out in Note 2(a) above. Gross profit is revenue less costs of sale.

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

(iii) Segment assets
Segment assets include goodwill, trade receivables, brands, customer relationships, financial assets at fair value through other comprehensive income and investments accounted for using equity method. Unallocated assets include property, plant and equipment, intangibles and other assets utilised across multiple segments. All unallocated assets are assessed by the chief operating decision maker at a consolidated entity level.

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

3. Revenue from contracts with customers

(a) Recognition and measurement

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, agency commissions, trade allowances, rebates and amounts collected on behalf of third parties. Where services have not been provided but the Group is obligated to provide the services in the future, revenue recognition is deferred.

Type of revenue	Reporting Segment	Recognition criteria
Dealer leads	Online Advertising (Dealer) / LATAM / Asia	Lead revenues are recognised at a point in time upon delivery of the lead to the dealers' lead management system.
Dealer listings	Online Advertising (Dealer) / LATAM / Asia	Dealer listings have a definite end date to the advertisement. Revenues are recognised on a straight-line basis over the defined period.
Listing depth products	Online Advertising (Dealer / Private) / LATAM / Asia	Transaction value is allocated to customer service obligations based on the fair value and revenue is recognised on a straight-line basis over the defined period.
Private listings	Online Advertising (Private) / LATAM / Asia	Private listings remain effective until the consumer removes the advertisement. Revenues are recognised on a straight-line basis over the average number of days advertisements are displayed (based on historical trends).
Bundled products	Online Advertising (Dealer) / LATAM / Asia	Includes the combination of dealer advertising products and corporate display services under one single contractual price. Whilst the products are bundled, each individual service has its own distinct performance obligations and stand-alone selling prices (used to determine the fair value of each service). Revenue is recognised over time as performance obligations are fulfilled.
Sponsorship advertising	Online Advertising (Display) / LATAM / Asia	Revenues from sponsorship advertising are recognised in the period over which the advertisements are placed or displayed, depending on the type of contract.
Performance advertising and contracts	Online Advertising (Display) / LATAM / Asia	Revenues from performance advertising and performance contracts are recognised when the performance measure occurs and is generated (e.g. cost per click).
Subscription services	Online Advertising (Dealer / Display) / Data, Research and Services / LATAM / Asia	Subscription revenues are recognised on a straight-line basis over the contract period.
Sale of goods	Online Advertising (Dealer / Private)	Revenues are recognised when goods have been provided to a customer leading to an enforceable claim by the Group.
R&D tax rebate	Online Advertising	The research and development claim of the Company gives rise to a tax offset and this tax offset is recognised as other income.

3. Revenue from contracts with customers continued

(b) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major segments:

2019	Online Advertising Services $'000	Data, Research and Services $'000	Latin America $'000	Asia $'000	Total $'000
Dealer	**153,895**				
Private	**82,097**				
Display	**64,120**				
Total Revenue from external customers	**300,112**	**43,147**	**9,131**	**65,104**	**417,494**
Timing of revenue recognition					
At a point in time	**138,190**	**7,854**	**22**	**20,539**	**166,605**
Over time	**161,922**	**35,293**	**9,109**	**44,565**	**250,889**

Restated 2018	Online Advertising Services $'000	Data, Research and Services $'000	Latin America $'000	Asia $'000	Total $'000
Dealer	143,953				
Private	78,900				
Display	73,924				
Total Revenue from external customers	296,777	42,150	8,201	29,735	376,863
Timing of revenue recognition					
At a point in time	129,485	8,971	25	8,860	147,341
Over time	167,292	33,179	8,176	20,875	229,522

4. Expenses

	2019 $'000	Restated 2018 $'000
Profit before income tax includes the following specific expenses:		
Total employee benefits	**88,934**	73,997
Defined contribution superannuation expense	**7,931**	5,991
Defined benefit expense – SK ENCARSALES.COM Ltd	**642**	480
Research and development	**6,495**	6,043
Minimum lease payments	**8,626**	6,807

Recognition and measurement

(i) Retirement benefit obligations

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's various retirement benefit plans. carsales.com Ltd and the Group's Australian subsidiaries have a number of defined contribution plans as required by Australian law. The defined contribution plans receive fixed contributions from the relevant employing Australian Group companies and the Group's legal or constructive obligation is limited to these contributions. The employees of the parent entity are all members of the defined contribution section of the carsales.com Ltd retirement plan. Employees of subsidiary companies in Australia are members of the relevant defined contribution plans operated by the subsidiary companies. Employees of International subsidiaries (except South Korea) are members of various Government insurance and retirement schemes where the Company is required to make mandatory deductions from employee pay to contribute towards these schemes.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

SK ENCARSALES.COM Ltd, the Group's subsidiary in South Korea, operates a defined benefit plan, under which amounts to be paid as retirement benefits are determined by reference to a formula based on employee's earnings and years of service. The defined benefit asset or liability comprises the present value of the defined benefit obligations, less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The discount rate used in calculating the present value of defined benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds of a term consistent with the term of the post-employment benefit obligations. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest, and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to reserves through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognises restructuring-related costs.

(ii) 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, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as an intangible asset and amortised from the point of which the asset is ready for use on a straight-line basis over its useful life, which varies from four to five years. Internally capitalised labour cost are treated as an operating cash outflow in the consolidated statement of cash flows.

(iii) Leases

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

5. Income tax

(a) Income tax expense

	2019 $'000	Restated 2018 $'000
Current tax	**52,948**	56,920
Adjustments for current tax of prior periods	**(689)**	(1,321)
Deferred tax	**(2,055)**	(2,339)
Adjustments for deferred tax of prior periods	**-**	609
	50,204	53,869
Deferred income tax expense included in income tax expense comprises:		
(Increase) in deferred tax assets	**(3,154)**	(2,037)
Increase in deferred tax liabilities	**1,099**	307
	(2,055)	(1,730)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2019 $'000	Restated 2018 $'000
Profit from continuing operations before income tax expense	**183,533**	237,483
Tax at the Australian tax rate of 30.0% (2018: 30.0%)	**55,060**	71,245
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income – R&D tax offset (a)	**(330)**	(272)
Share options (b)	**(832)**	(277)
Non-taxable gain on put option revaluation (c)	**(3,243)**	(1,103)
Sundry items	**1,562**	2,583
Adjustment for prior periods	**(689)**	(557)
Recognition of previously unrecognised tax losses	**-**	(156)
Share of profit from associates (d)	**(1,218)**	(1,758)
Non-taxable gain on associate investment dilution (e)	**(310)**	(187)
Net gain on step acquisition of associate (non-assessable)	**-**	(17,106)
Withholding Tax on distribution of SK Encar profits (f)	**2,540**	2,051
Income tax differential – effect of foreign tax rates (g)	**(2,336)**	(594)
Income tax expense	**50,204**	53,869

(c) Amounts recognised directly into equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the income statement or other comprehensive income but directly (credited) or debited to equity:

	2019 $'000	Restated 2018 $'000
Current tax – debited directly to equity	**(353)**	52
Net deferred tax – (credited) directly to equity (h)	**(4,339)**	(1,252)
	(4,692)	(1,200)

Explanation of key tax items

(a) Group's utilisation of research and development tax incentives
(b) Amounts relating to the provision of equity incentives
(c) Amount relating to revaluation of put options – see Note 19.
(d) The Group's share of associates' results taken up in Group results, net of tax expense
(e) Non-assessable gain derived on the dilution of equity interests held in an associate
(f) Withholding tax paid/estimated to be payable on dividend distributions
(g) The Group's profits are taxed at prevailing statutory rates which vary to the Australian statutory tax rate (as noted in the table below)
(h) Related to equity incentives and cross currency interest swap

Statutory tax rates

The Group's international profits are taxed at local statutory (or preferred) rates varying from the Australian statutory tax rate, as follows:

	2019	**2018**
Australia	**30%**	30%
New Zealand	**28%**	28%
Malaysia	**24%**	24%
China	**25%**	25%
Thailand	**20%**	20%
South Korea	**22%**	22%
USA	**21%**	21%
Argentina	**35%**	35%
Chile	**27%**	27%
Mexico	**30%**	30%

Effective tax rate

	2019 $'000	**2018 $'000**
Profit before income tax expense (A)	**183,533**	237,483
Income tax expense (B)	**50,204**	53,869
Effective tax rate (B/A)	**27%**	23%

The effective tax rate for 2018 was positively affected by the non-taxable gain on associate dilution and step acquisition, without which the effective tax rate for the year would have been 30%.

The effective tax rate for 2019 was positively affected by the non-taxable gain on put option revaluation and associate contributions, without which the effective tax rate for the year would have been 29%.

Notes to the Consolidated Financial Statements continued

30 June 2019

5. Income tax continued

(d) Deferred tax assets

The balance comprises temporary differences attributable to:

	Employee benefits $'000	Employee Share Trust $'000	Doubtful debts $'000	Expense accruals $'000	Intan-gibles $'000	Tax losses $'000	Hedges $'000	Other $'000	Total $'000
At 1 July 2017	1,670	1,116	259	1,853	(1,160)	1,379	-	27	5,144
Acquisition of subsidiary	14	-	-	582	-	-	-	75	671
(Charged)/credited to the profit or loss	1,054	52	317	(90)	(539)	1,559	-	2	2,355
Credited directly to equity	-	1,200	-	-	-	-	-	-	1,200
Exchange differences	-	-	-	-	-	8	-	37	45
At 30 June 2018	**2,738**	**2,368**	**576**	**2,345**	**(1,699)**	**2,946**	**-**	**141**	**9,415**
(Charged)/credited to the profit or loss	1,297	(566)	112	(650)	245	2,614	-	102	3,154
Credited directly to equity	-	(895)	-	-	-	-	5,234	-	4,339
Deferred tax assets classified as held for sale	(396)	-	-	(179)	-	-	-	(99)	(674)
Exchange differences	19	-	-	-	-	(130)	-	-	(111)
At 30 June 2019	**3,658**	**907**	**688**	**1,516**	**(1,454)**	**5,430**	**5,234**	**144**	**16,123**

	2019 $'000	2018 $'000
Deferred tax assets to be recovered within 12 months	**6,634**	4,601
Deferred tax assets to be recovered after more than 12 months	**9,489**	4,814
	16,123	9,415

Certain liability balances are shown as part of deferred tax assets, as they originate in the same jurisdiction as, and can be offset against, other deferred tax assets. The liability balance for intangibles shown as part of deferred tax assets relates to in-house developed and capitalised software in Australia.

The Group has recorded a separate deferred tax asset on the unrealised hedge liability at the end of FY19 directly into equity (against the hedge reserves).

(e) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Intangibles $'000	Withholding Tax* $'000	Total $'000
At 1 July 2017	2,923	-	2,923
Charged/(credited) to the profit or loss	(770)	1,077	307
Intangibles recognised from business acquisition	17,129	-	17,129
Exchange differences	539	-	539
At 30 June 2018	**19,821**	**1,077**	**20,898**
Charged/(credited) to the profit or loss	(1,274)	2,373	1,099
Deferred tax liabilities attached to assets classified as held for sale	(1,230)	-	(1,230)
Exchange differences	144	17	161
At 30 June 2019	**17,461**	**3,467**	**20,928**

*Represents South Korean Withholding Tax provided on undistributed profits that is expected to be remitted.

	2019 $'000	2018 $'000
Deferred tax liabilities expected to be settled within 12 months	**4,741**	2,614
Deferred tax liabilities expected to be settled after more than 12 months	**16,187**	18,284
	20,928	20,898

Adoption of Voluntary Tax Transparency Code

On 3rd of May 2016, the Australian Treasurer released a Voluntary Tax Transparency Code (the TTC). The TTC recommends additional tax information be publicly disclosed to help educate the public about large corporate compliance with Australia's tax laws. The Group fully supports the TTC and signed up to it from the financial year ended 30 June 2019. Accordingly, the income tax disclosures in this note include the recommended additional disclosure of Part A of the Code.

Recognition and measurement

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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

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 balance sheet 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 Company 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.

Where there are current and deferred tax balances attributable to amounts recognised directly in equity, they are also recognised directly in equity.

Tax consolidation legislation

The Company and its wholly-owned Australian 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 standalone 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), the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Critical accounting estimates and assumptions used for income tax

Uncertain tax positions
The Group applies its current understanding of the tax law to estimate tax liabilities where the ultimate tax position is uncertain. When the tax position is ultimately determined or tax laws change, the actual tax liability may differ from this current estimate.

Research and development claim
The research and development claim available to the Company is estimated in the accounts because a full assessment of the position cannot be made by the year end. It is the policy of the Company to only bring to account that preliminary portion of expenses that is reasonably expected to be claimable at period end.

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

	2019 $'000	2018 $'000
Profit for the year	**85,617**	187,915
Depreciation and amortisation	**25,940**	17,363
Impairment loss	**47,809**	-
Non-cash employee benefits expense – share-based payments	**(21)**	2,025
Loss/(Profit) on disposal of assets	**2**	(59)
Net finance related costs	**2,807**	6,547
Share of profit from associates	**(3,124)**	(5,143)
Withholding Tax on distribution of SK Encar pre-acquisition profits	**-**	2,051
Gain on associate fair value adjustment and investment dilution	**(2,069)**	(1,251)
Net gain on step acquisition of associate	**-**	(57,019)
Bad debts written-off	**3,063**	-
Change in operating assets and liabilities:		
Increase in trade debtors	**(3,205)**	(15,758)
Decrease/(Increase) in inventory	**1,397**	(1,205)
Increase in deferred tax assets	**(2,691)**	(2,400)
Capitalised labour	**(17,729)**	(11,739)
Decrease in trade creditors and other liabilities	**(1,031)**	(2,408)
Increase/(Decrease) in deferred revenue	**810**	(4,430)
(Decrease)/Increase in provision for income taxes payable	**(7,209)**	2,630
Increase in deferred tax liabilities	**1,083**	846
Increase in other provisions	**405**	1,369
Net cash inflow from operating activities	**131,854**	119,334

7. Earnings per share

(a) Reported earnings per share

	Basic earnings per share		Diluted earnings per share	
Earnings per share for profit attributable to the ordinary equity holders of the Company:	**2019**	**Restated 2018**	**2019**	**Restated 2018**
Reported profit attributable to equity holders of the Company	**85,274,000**	184,556,000	**85,274,000**	184,556,000
Weighted average number of ordinary shares	**243,631,320**	242,371,937	**243,631,320**	242,371,937
Dilutive impact of potential ordinary shares*	**-**	-	**496,916**	749,616
Total weighted average number of ordinary shares used in EPS calculation	**243,631,320**	242,371,937	**244,128,236**	243,121,553
Reported earnings per share/cents	**35.0**	76.1	**34.9**	75.9

	Basic earnings per share		Diluted earnings per share	
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:	**2019**	**Restated 2018**	**2019**	**Restated 2018**
Reported profit attributable to equity holders of the Company	**133,252,000**	182,296,000	**133,252,000**	182,296,000
Weighted average number of ordinary shares	**243,631,320**	242,371,937	**243,631,320**	242,371,937
Dilutive impact of potential ordinary shares*	**-**	-	**496,916**	749,616
Total weighted average number of ordinary shares used in EPS calculation	**243,631,320**	242,371,937	**244,128,236**	243,121,553
Reported earnings per share/cents	**54.7**	75.2	**54.6**	75.0

*The dilutive impact of potential ordinary shares represents unexercised options and performance rights as at the balance sheet date

7. Earnings per share continued

(b) Adjusted earnings per share

	Basic earnings per share		Diluted earnings per share	
	2019	**Restated 2018**	**2019**	**Restated 2018**
Reported profit attributable to equity holders of the Company	**85,274,000**	184,556,000	**85,274,000**	184,556,000
Adjusted for: Net result after tax from discontinued operations	**47,978,000**	(2,260,000)	**47,978,000**	(2,260,000)
Less: gain on associate investment dilution	**(1,552,000)**	(939,000)	**(1,552,000)**	(939,000)
Less: net gain on step acquisition of associate	**-**	(57,019,000)	**-**	(57,019,000)
Less: associate one-off tax gain	**-**	2,051,000	**-**	2,051,000
Less: changes in fair value of put option liabilities and deferred consideration	**(11,253,000)**	(4,019,000)	**(11,253,000)**	(4,019,000)
Add: finance cost write-off	**-**	397,000	**-**	397,000
Add: restructure costs (net of tax)**	**1,287,000**	-	**1,287,000**	-
Add: option unwinding discount	**442,000**	341,000	**442,000**	341,000
Add: bad debt write-off (net of tax)**	**2,161,000**	-	**2,161,000**	-
Add: acquired intangibles amortisation	**6,988,000**	4,670,000	**6,988,000**	4,670,000
Adjusted profit attributable to equity holders of the Company for continuing operations	**131,325,000**	127,778,000	**131,325,000**	127,778,000
Adjusted earnings per share/cents for continuing operations***	**53.9**	52.7	**53.8**	52.6

** Adjusted EBITDA is presented after these items prior to tax charge at 30%.

*** The Directors believe the presentation of 'adjusted earnings per share' provides the best measure to assess the performance of the Group by excluding one-off restructure costs, one-off bad debt expenses, net gain on step acquisition of associate, gain on associate investment dilution, associate one-off tax gain, option movement in fair value, finance cost write-off, option unwinding discount, associate fair value revaluation loss and non-cash acquired intangible assets amortisation from the reported IFRS measure.

Recognition and measurement

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.

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.

Options and performance rights granted to employees under the carsales.com Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and performance rights have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 27.

CAPITAL AND FINANCIAL RISK MANAGEMENT

8. Capital risk management

The Company's capital position at 30 June is as follows:

	2019 $'000	Restated 2018 $'000
Borrowings (Note 10)	**474,562**	454,758
Derivative liabilities (Note 19)	**17,445**	-
Less: cash and cash equivalents (Note 9)	**(94,411)**	(65,061)
Net debt	**397,596**	389,697
Contributed equity (Note 11)	**135,372**	119,541
Reserves (Note 12(a))	**(29,694)**	(24,427)
Retained earnings (Note 12(c))	**209,934**	232,289
Non-controlling interests	**6,068**	6,002
Total equity	**321,680**	333,405
Total capital	**719,276**	723,102

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors its capital on an ongoing basis.

There are no externally imposed capital requirements.

Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value, loans and receivables, and amortised cost. 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.

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 (Note 15) in the consolidated statement of financial position.

9. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash and cash equivalents	**94,411**	65,061

Recognition and measurement

For cash flow statement 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 that are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 10. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

10. Borrowings

On 3rd July 2018 carsales.com Ltd successfully completed the refinance of its syndicated revolving loan facilities. Pursuant to this refinance, the Company established a new A$545.0 million debt facility under a Common Terms Deed (CTD) documentation structure as follows:

Tranche	Commitment ($'000)	Drawn at close ($'000)	Maturity date
Tranche A	$335,000	$335,000	5 July 2021
Tranche B	$210,000	$140,000	4 July 2023
Total	**$545,000**	**$475,000**	

Six financiers are part of the new syndicate and each of these financiers entered into a bilateral facility agreement with the Company under the CTD documentation structure. The new syndicate comprises National Australia Bank Limited (NAB), Australia and New Zealand Banking Group Limited (ANZ), Hongkong and Shanghai Banking Corporation (HSBC), Westpac Banking Corporation (WBC), MUFG Bank Ltd and Bank of China.

Borrowings under this loan facility bear interest at a floating rate of BBSY Bid plus a margin, with margin based on a net leverage ratio of the Group.

On 4th July 2018, the Company also entered into AUD:KRW Non-Deliverable Cross Currency Swaps with the syndicate banking group with a total notional value of A$335.0 million, with A$125.0 million having a maturity of 3 years and A$210.0 million a maturity of 5 years. These derivative instruments swap AUD floating rates with South Korean Won fixed rates, thus synthetically creating A$335.0 million of fixed rate debt. These swaps have been treated as a hedge of interest rates and carsales net investment in SK ENCARSALES.COM Ltd from inception.

	2019 $'000	2018 $'000
Bank loan – carsales.com Ltd	**475,000**	450,000
Bank loan – Stratton Finance Pty Ltd	**-**	4,225
Finance lease – RedBook Inspect Pty Ltd	**848**	767
	475,848	454,992
Less: Unamortised borrowing costs	**(1,286)**	(234)
	474,562	454,758
Comprising:		
Current borrowings	**248**	246,024
Non-current borrowings	**474,314**	208,734
	474,562	454,758

Finance income

	2019 $'000	Restated 2018 $'000
Finance income	**1,211**	362

Finance cost

	2019 $'000	Restated 2018 $'000
Interest and finance charges paid/payable on financial liabilities	**(14,624)**	(10,425)
Unwinding of discount on put options liabilities	**(442)**	(341)
	(15,066)	(10,766)

Recognition and measurement

Finance income is recognised on a time proportionate basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amounts 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 finance income. Finance income on impaired loans is recognised using the original effective interest rate.

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 profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised net against the loan and amortised on a straight-line basis over the term of the facility.

Borrowings are derecognised from the consolidated 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 balance sheet date.

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.

Interest rate risk

The consolidated entity's exposure to the cash flow risk of changes in market interest rates relates primarily to the cash at bank and the cash advance facility. Cash and cash equivalents draw interest at variable interest rates, while the interest on the overdraft facility was 8.1% (2018: 8.8%).

The Group's main interest rate risk arises from long-term borrowings with variable rates. As at reporting date, the Group had $475,000,000 (2018: $454,225,000) variable rate borrowings at a weighted average interest rate of 3.2% (2018: 3.3%). The borrowings are periodically contractually repriced every three months and to that extent are also exposed to the risk of future changes in market interest rates. During FY19, the Group entered into $335 million AUD:KRW Non-Deliverable Cross Currency Interest Swaps to protect the Group against interest rate exposures.

carsales.com Ltd has a Board-approved treasury policy and treasury strategy for the management of interest rate risk. The Board keeps the decision to actively hedge interest rate risk under regular review. Any derivative contracts will be entered into solely for interest rate risk and currency risk management and no speculative hedging is permitted under the policy.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

10. Borrowings continued

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 $'000	2018 $'000
Floating rate		
– Expiring within one year	**-**	3,400
– Expiring within one to five years	**70,000**	61,000
	70,000	64,400

Liquidity risk

Maturities of financial liabilities

The following table sets out the Group's exposure to liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities

	0 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Group – at 30 June 2019					
Non-derivatives					
Non-interest bearing payables	**34,126**	**-**	**29**	**34,155**	**34,155**
Variable rate borrowings	**-**	**-**	**476,715**	**476,715**	**473,798**
Fixed rate borrowings	**263**	**546**	**-**	**809**	**764**
Total non-derivatives	**34,389**	**546**	**476,744**	**511,679**	**508,717**
Derivatives					
Other financial liabilities – held for trading	**-**	**9,538**	**-**	**9,538**	**9,538**
Cross currency swap – cash flow hedge	**-**	**-**	**17,445**	**17,445**	**17,445**
Total derivatives	**-**	**9,538**	**17,445**	**26,983**	**26,983**
Restated					
Group - at 30 June 2018					
Non-derivatives					
Non-interest bearing payables	50,226	-	278	50,504	50,504
Variable rate borrowings	250,343	206,436	4,227	461,006	454,225
Fixed rate borrowings	25	270	270	565	533
Total non-derivatives	300,594	206,706	4,775	512,075	505,262
Derivatives					
Other financial liabilities – held for trading	1,300	-	20,349	21,649	21,649
Total derivatives	1,300	-	20,349	21,649	21,649

Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and non-interest bearing financial liabilities of the consolidated entity approximates their carrying amounts. There are no off-balance sheet financial instruments in place.

Derivatives

Classification of derivatives

The Company designates derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. The hedges are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Cash flow hedges

Cash flow hedges are accounted for as follows: the fair value gain or loss associated with the effective portion of the derivative is recognised initially in other comprehensive income (cash flow hedge reserve – CFHR) and then recycled to the income statement in the same period that the hedged item affects the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

Hedges of net investments in foreign operations

The Company uses net investment hedges to mitigate the foreign exchange risk arising from the Group's net investments in foreign operations. Net investment hedges are accounted for similar to cash flow hedges, in that the effective portion of the gain or loss on the hedging instrument shall be recognised in other comprehensive income (in the foreign currency translation reserve – FCTR) while the ineffective portion shall be recognised in profit or loss. The cumulative gains or losses on the hedging instrument that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

The Company designates the cross currency interest rate swap contracts in:

- cash flow hedges of interest rate exposure on foreign currency borrowings; and
- hedges of net investments in foreign operations.

The foreign currency basis spread of a cross currency interest rate swap is excluded from the designation of that financial instrument as the hedging instrument. Changes in fair value of the foreign currency basis spread of a financial instrument is accumulated in the cost of hedging reserve, and is amortised to profit or loss on a rational basis over the term of the hedging relationship.

Both the cash flow hedge and the net investment hedge have been assessed as being 100% effective (see note below). The details of the fair values of the derivative instruments used for hedging purposes and the movements in the reserves in equity are disclosed in Note 14(e).

10. Borrowings continued

Hedging reserves

The following tables detail information regarding the cross currency interest rate swaps designated in cash flow hedge or net investment hedge relationships at the end of the reporting period and their related hedged items. The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gains and losses on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

	Current notional amount $'000	Carrying amount of hedging instrument Assets/ (Liabilities) $'000	Carrying amount of hedging instrument $'000	Change in value of hedging instrument $'000	Change in value of hedged item $'000	CFHR opening balance before tax Dr/(Cr) $'000	Movement in CFHR Dr/(Cr) $'000	Closing CFHR before tax Dr/(Cr) $'000
Cash flow hedges								
Cross currency interest rate swap	335,000	(18,018)	(18,018)	(18,018)	-	-	18,018	18,018
Net investment hedge								
Cross currency interest rate swap	335,000	573	573	573	-	-	-	-
Total		**(17,445)**	**(17,445)**	**(17,445)**	**-**	**-**	**18,018**	**18,018**

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the cross currency swaps.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For the cross currency swap, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. Therefore it has adopted a 1:1 ratio. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, a hypothetical derivative method is used to assess effectiveness.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched during the year, the economic relationship was 100% effective.

Quantitative information

The following table details the average notional principal amounts, average contract FX rate and the average fixed interest rate of the hedging instrument (cross currency interest rate swap) at the end of the financial year:

	Weighted Average of the Hedging Instrument			
	<1 year	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
Cross currency interest rate swap				
Average contracted FX Rate (AUD/KRW)	827.83	827.83	828.13	-
Average contracted fixed interest rate (%)	1.4113	1.4113	1.4777	-
Average notional amount ($ million)	335	335	214	-

Cash flow hedge sensitivity

For illustrative purposes the Company has calculated the impact on the balance sheet for the year in the event of a +/- 100 bps change in interest rates as shown in the table below (a positive impact means a reduction in the carrying value of the derivative liability and a negative impact means an increase in the carrying value of the derivative liability):

	As at 30 June 2019 $'000	**As at 30 June 2018 $'000**
Cross Currency Interest Rate Swap		
AUD BBSY		
+ 100 bps	**74**	-
- 100 bps	**(74)**	-
KRW KORIBOR		
+ 100 bps	**10,881**	-
- 100 bps	**(11,322)**	-

Foreign exchange risk sensitivity

For illustrative purposes the Company has calculated the impact on the balance sheet for the year in the event of a +/- 5% variance change in the AUD/KRW foreign exchange rate (a positive impact means a reduction in the carrying value of the derivative liability and a negative impact means an increase in the carrying value of the derivative liability):

	As at 30 June 2019 $'000	**As at 30 June 2018 $'000**
Cross Currency Interest Rate Swap		
AUD/KRW		
+ 5%	**16,540**	-
- 5%	**(18,265)**	-

Fair value measurement

The methods and assumptions used in determining the fair value of derivatives are disclosed in Note 14(e).

10. Borrowings continued

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

		Interest rate risk			
		-100 bps		+100 bps	
At 30 June 2019	**Carrying amount $'000**	**Profit $'000**	**Other equity $'000**	**Profit $'000**	**Other equity $'000**
Financial assets					
Cash and cash equivalents	**94,411**	**(804)**	**(804)**	**804**	**804**
Financial liabilities					
Borrowings	**(473,798)**	**4,701**	**4,701**	**(4,701)**	**(4,701)**
Total increase/(decrease)		**3,897**	**3,897**	**(3,897)**	**(3,897)**

		Interest rate risk			
		-100 bps		+100 bps	
At 30 June 2018	**Carrying amount $'000**	**Profit $'000**	**Other equity $'000**	**Profit $'000**	**Other equity $'000**
Financial assets					
Cash and cash equivalents	65,061	(471)	(471)	471	471
Financial liabilities					
Borrowings	(454,225)	3,248	3,248	(3,248)	(3,248)
Total increase/(decrease)		2,777	2,777	(2,777)	(2,777)

11. Contributed equity

(a) Share capital

	Notes	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares					
Fully paid	11(b)	**244,347,196**	242,982,207	**135,372**	119,541
		244,347,196	242,982,207	**135,372**	119,541

Recognition and measurement

Ordinary shares are classified as equity.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Incremental costs directly attributable to the issue of new shares, options or performance rights 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 or performance rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2017	Opening balance	241,785,292		105,861
August 2017	Exercise of employee options	2,237	$9.10	20
August 2017	Exercise of employee performance rights	35,691	$ 0.00	-
September 2017	Exercise of employee options	200,368	$5.93-$9.10	1,205
October 2017	Dividend Reinvestment Plan	468,702	$12.97	6,082
October 2017	Exercise of employee options	1,433	$9.10-$10.71	15
October 2017	Exercise of employee performance rights	11,416	$ 0.00	-
November 2017	Exercise of employee options	7,873	$9.10-$10.71	83
December 2017	Exercise of employee options	3,835	$ 9.10	35
February 2018	Exercise of employee options	5,565	$ 10.71	60
March 2018	Exercise of employee options	9,339	$9.10-$10.71	88
April 2018	Dividend Reinvestment Plan	438,169	$13.63	5,975
June 2018	Exercise of employee options	12,287	$9.10-$10.71	117
30 June 2018	Balance	242,982,207		119,541

Date	Details	Number of shares	Issue price	$'000
1 July 2018	Opening balance	**242,982,207**		**119,541**
August 2018	Exercise of employee options	**3,835**	**$9.10**	**35**
August 2018	Exercise of employee performance rights	**104,111**	**$0.00**	**-**
September 2018	Exercise of employee options	**118,015**	**$9.10-$10.71**	**1,199**
October 2018	Exercise of employee options	**21,835**	**$9.10-$10.71**	**204**
October 2018	Dividend Reinvestment Plan	**512,252**	**$14.40**	**7,378**
October 2018	Exercise of employee performance rights	**20,579**	**$0.00**	**-**
November 2018	Exercise of employee options	**2,281**	**$10.24**	**23**
December 2018	Exercise of employee options	**3,041**	**$10.24**	**31**
February 2019	Exercise of employee options	**46,174**	**$10.24**	**473**
March 2019	Exercise of employee options	**35,051**	**$10.24**	**359**
April 2019	Dividend Reinvestment Plan	**489,293**	**$12.35**	**6,041**
April 2019	Exercise of employee options	**7,206**	**$10.24**	**74**
May 2019	Exercise of employee options	**1,316**	**10.24-$10.71**	**14**
30 June 2019	Balance	**244,347,196**		**135,372**

Information relating to the carsales.com Ltd Employee Option Plan, including details of options and performance rights issued, exercised and lapsed during the financial year and options and performance rights outstanding at the end of the financial year, is set out in Note 27.

12. Reserves and retained earnings

(a) Reserves

	2019 $'000	2018 $'000
Share-based payment reserve	**25,442**	26,004
Foreign currency translation reserve	**(1,057)**	(12,820)
Post-employment benefit obligations reserve	**607**	(35)
Financial asset at fair value through other comprehensive income	**(2,320)**	(686)
Non-controlling interests acquisition reserve	**(39,753)**	(36,890)
Cash flow hedge reserve	**(12,163)**	-
Net investment hedge reserve	**(450)**	-
	(29,694)	(24,427)

(i) Share-based payment reserve

	2019 $'000	2018 $'000
Balance 1 July	**26,004**	22,778
Option expense	**(20)**	2,026
Tax on Employee Share Trust charged to equity	**(542)**	1,200
Balance 30 June	**25,442**	26,004

The share-based payments reserve is used to recognise the fair value of options and performance rights issued and vested.

	2019 $'000	2018 $'000
(ii) Foreign currency translation reserve		
Balance 1 July	**(12,820)**	(8,473)
Reclassification of exchange differences on step acquisition on associate	**-**	(14,551)
Currency translation differences arising during the year	**11,763**	10,204
Balance 30 June	**(1,057)**	(12,820)

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in 'Basis of preparation' and accumulated within a separate reserve within equity. The reserve is recognised in profit and loss when the net investment is disposed of.

	2019 $'000	2018 $'000
(iii) Post-employment benefit obligations reserve		
Balance 1 July	**(35)**	-
Remeasurement of post-employment benefit obligations	**642**	(35)
Balance 30 June	**607**	(35)
(iv) Financial asset at fair value through other comprehensive income		
Balance 1 July	**(686)**	29
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(1,634)**	(715)
Balance 30 June	**(2,320)**	(686)

	2019 $'000	2018 $'000
(v) Non-controlling interests acquisition reserve		
Balance 1 July	**(36,890)**	-
Transactions with non-controlling interests	**(2,863)**	(12,863)
Recognition of non-controlling interests acquisition reserve	**-**	(24,027)
Balance 30 June	**(39,753)**	(36,890)
(vi) Cash flow hedge reserve		
Balance 1 July	**-**	-
Decrease in cash flow hedge reserve	**(12,163)**	-
Balance 30 June	**(12,163)**	-
(vii) Net investment hedge reserve		
Balance 1 July	**-**	-
Decrease in net investment hedge reserve	**(450)**	-
Balance 30 June	**(450)**	-

(b) Other reserves

Transactions with non-controlling interests

On 6th December 2018 carsales.com Ltd acquired the remaining 16.7% stake of Chileautos SpA for a consideration of $3.4 million giving carsales 100% control and ownership of Chileautos SpA.

Recognition of non-controlling interests acquisition reserve

The Group has put options over some of its non-controlling interests.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within other financial liabilities with a corresponding charge directly to equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable – refer Note 10.

(c) Retained earnings

Movements in retained earnings were as follows:

	2019 $'000	Restated 2018 $'000
Balance 1 July	**232,289**	151,607
Impact of change in accounting policy	**-**	(2,120)
Restated balance 1 July	**232,289**	149,487
Net profit for the year	**85,274**	184,556
Dividends	**(107,629)**	(101,754)
Balance 30 June	**209,934**	232,289

13. 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.

(a) Ordinary shares

	2019 $'000	2018 $'000
Final fully franked cash dividend for the year ended 30 June 2018 of 23.7 cents (2017: 21.5 cents) per fully paid ordinary share paid on 10 October 2018 (2017: 19 October 2016).	**50,262**	45,953
Final fully franked ordinary dividend for the year ended 30 June 2018 of 23.7 cents (2017: 21.5 cents) per fully paid ordinary share – satisfied through the issuance of shares under the Dividend Reinvestment Plan.	**7,378**	6,082
	57,640	52,035
Interim fully franked cash dividend for the year ended 30 June 2019 of 20.5 cents (2018: 20.5 cents) per fully paid ordinary share paid on 5 April 2019 (2018: 17 April 2018)	**43,948**	43,744
Interim fully franked ordinary dividend for the year ended 30 June 2019 of 20.5 cents (2018: 20.5 cents) per fully paid ordinary share – satisfied through issuance of shares under the Dividend Reinvestment Plan.	**6,041**	5,975
	49,989	49,719
Total dividends paid	**107,629**	101,754

(b) Dividends not recognised at year end

	2019 $'000	2018 $'000
In addition to the above dividends, since year end, the Directors have recommended the payment of a final dividend of 25.0 cents per fully paid ordinary share (2018: final dividend 23.7 cents). The aggregate amount of the declared dividend expected to be paid on 9 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at year end, is	**61,150**	57,683

(c) Franked dividends

	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30.0% (2018: 30.0%)	**43,462**	41,541

The above amounts represent the balance of the franking account as at the end of the reporting period, 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.

(d) Dividend Reinvestment Plan (DRP)

The carsales.com Ltd DRP will be maintained for the 2019 final dividend, offering shareholders the opportunity to acquire further ordinary shares in carsales. The DRP will not be offered at a discount and the price will be calculated using the daily volume weighted average sale price of carsales.com Ltd shares sold in the ordinary course of trading on the ASX during the five days after, but not including, the Record Date 25 September 2019. The last date for shareholders to nominate their participation in the DRP is 5:00pm (AEST) on 26 September 2019. Shares issued under the DRP will rank equally with carsales.com Ltd existing fully paid ordinary shares. Shareholders eligible to participate in the DRP are currently limited to those whose registered address on the carsales.com Ltd share registry is in Australia or New Zealand.

Eligible shareholders who wish to participate in the DRP can make their elections online at www.computershare.com.au/easyupdate/CAR or complete the DRP form, which will be sent to shareholders for completion and submission to Computershare Investor Services Pty Ltd (carsales share registry). Further information can be obtained from Computershare on 1300 850 505.

14. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is the responsibility of the Chief Financial Officer (CFO) and follows approved policies of the Board of Directors. The CFO identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real (BRL), the South Korean Won (KRW), the Mexican Peso (MXP), the Chilean Peso (CLP) and the Argentinian Peso (ARS). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

Hedging contracts are sometimes used to manage foreign currency exchange risk. The Company has a treasury strategy and a treasury policy and will actively hedge any major known commitments using forward exchange contracts. The Company does net investment hedge quasi-equity intercompany loans used to fund investments in subsidiaries, but does not net investment hedge the carrying value of associates in the balance sheet. Trading and dividend cash flows between associates and the Group are not hedged unless the cash flows are significant and the amount and future payment date are certain.

The analysis below reflects management's view of possible movements in relevant foreign currencies against the Australian dollar. The table summarises the range of possible outcomes that would affect the Group's net profit and equity as a result of foreign currency movements.

The estimated impact on carsales.com Ltd's share of the reported net profits of our significant overseas associates and subsidiaries through potential movements in exchange rates are as follows:

		2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Impact on profit:		**-5%**	-5%	**5%**	5%
AUD to KRW	(+5% to -5%)	**623.0**	355.4	**(623.0)**	(355.4)
AUD to BRL	(+5% to -5%)	**245.2**	172.8	**(245.2)**	(172.8)
AUD to MXP	(+5% to -5%)	**(152.6)**	(59.9)	**152.6**	59.9
AUD to CLP	(+5% to -5%)	**20.8**	55.9	**(20.8)**	(55.9)
AUD to ARS	(+5% to -5%)	**(80.9)**	(89.5)	**80.9**	89.5
Net Movement		**655.5**	434.7	**(655.5)**	(434.7)

		2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Impact on equity:		**-5%**	-5%	**5%**	5%
AUD to KRW*	(+5% to -5%)	**22,557**	21,300	**(22,557)**	(21,300)
AUD to BRL	(+5% to -5%)	**3,077**	2,800	**(3,077)**	(2,800)
AUD to MXP	(+5% to -5%)	**(581)**	610	**581**	(610)
AUD to CLP	(+5% to -5%)	**307**	1,069	**(307)**	(1,069)
AUD to ARS	(+5% to -5%)	**234**	222	**(234)**	(222)
Net Movement		**25,594**	26,001	**(25,594)**	(26,001)

* The table above does not include the AUD:KRW Non-Deliverable Cross Currency Swaps that was entered into as a hedge of the net investment in SK ENCARSALES.COM Ltd. The details of this hedge is set out in Note 10.

14. Financial risk management continued

(ii) Price risk

The Group's exposure to equity securities price risk arises from the 11.8% investment in iCar Asia Limited held by the Group and classified in the balance sheet as a financial asset at fair value through other comprehensive income (see Note 21(d)). Changes in the fair value are recognised directly in other comprehensive income as an irrevocable election made by the Group with adoption of *AASB9 Financial Instruments* – refer Note 1.

A movement in the valuation of this asset by 5% would have an impact of $0.5 million to the other comprehensive income result.

Other than the investment in iCar Asia Limited, the Group is not exposed to significant price equities risk.

(b) Credit risk

Credit risk of the Group arises predominantly from outstanding receivables from customers.

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at the year ended 30 June 2019 on adoption of AASB9 was determined as follows:

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	More than 180 days past due	Total
Expected loss rate	0-0.5%	1.0%	2.5-5.0%	7.5-10%	50-80%	80-100%	-
Gross carrying amount – trade receivables $'000	42,051	3,176	3,422	676	1,076	2,594	52,995
Loss allowance	**45**	**33**	**86**	**70**	**556**	**2,170**	**2,960**

	2019 $'000
Closing loss allowance as at 30 June 2018 (calculated under AASB139)	2,851
Amounts restated through opening retained earnings*	-
Opening loss allowance as at 1 July 2018 (calculated under AASB9)	2,851
Increase in loss allowance recognised in profit or loss during the year	109
Closing loss allowance as at 30 June 2019	**2,960**

* The Group considered the requirements of the "expected credit loss" model against the opening provision balance and did not identify any material difference in the level of the required provision and therefore has not recorded an adjustment through opening retained earnings.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 180 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

The Group recorded a $3.1 million bad debt write-off on the consolidated statement of comprehensive income during the year ended 30 June 2019. This write-off reflects the impact of customer receipt allocation issues associated with the implementation of the new ERP system in FY18. These allocation issues have been rectified and are confined to FY18 specific receivable balances. The collection experience relating to FY19 revenue is at normal levels and no additional abnormal bad debt write-offs associated with this issue are anticipated. The loss allowance model above has been derived based on historical normalised levels and does not consider this abnormal one-off write-off.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted by carsales.com Ltd.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were 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.

Receivables for which an impairment provision was recognised were written-off against the provision when there was no expectation of recovering additional cash.

(c) Interest rate risk

Interest rate risk is set out in Note 10 Borrowings.

(d) Liquidity risk

Liquidity risk is set out in Note 10 Borrowings.

(e) Fair value estimation

Financial assets and liabilities that are carried at fair value are measured by the following fair value measurement hierarchy:

i. **Level 1**: the fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period;

ii. **Level 2**: the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and

iii. **Level 3**: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial asset / liability	Fair value approach	Level	2019	2018
Quoted equity instrument	Measured at fair value through OCI	1	**9,766**	11,770
Derivative financial liabilities – cross currency swaps	Measured at fair value through OCI	2	**17,445**	-
Unquoted equity instrument*	Measured at fair value through OCI	3	**10,139**	8,027
Other financial liabilities	Measured at fair value through profit or loss	3	**9,538**	21,649

* Carrying value approximates fair value

Valuation techniques used to determine fair values

Level 1

- This balance represents the investment in iCar Asia Limited which is listed on the ASX and therefore has a readily determinable market value.

Level 2

- This balance represents the AUD:KRW Non-Deliverable Cross Currency Interest Swaps (Swaps) entered on 4 July 2018. These swaps protect the Group against defined foreign currency and interest rate exposures. The hedge against foreign exchange risk are treated as a hedge against the net investment in SK ENCARSALES.COM Ltd. The protection against the variability of cash flows derived from carsales.com Ltd's AUD floating rate debt issuance is treated as a cash flow hedge. Management assessed the hedge being effective and therefore the fair value movement has been recorded through the net investment and cash flow hedge reserves. The fair value of $17.4 million in relation to these swaps have been recorded as a non-current liability in the balance sheet.

14. Financial risk management continued

Level 3

- This balance represents the following:
  - the value of carsales' non-listed equity investments ($10.1 million), which primarily comprises the investment in PromisePay Pte Ltd ($7.3 million). The carrying value of these investments reflects the valuation implied by capital raising completed in the last 12 months; and
  - the value of put options recognised at fair value ($9.5 million). Refer Note 19 for further information.

There were no transfers between levels during the year.

Valuation processes

The finance department of the Group performs the valuations required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for other financial liabilities based on corporate bonds
- Estimated growth rates used in ascertaining future earnings for put options

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

OTHER ASSETS AND LIABILITIES

15. Trade and other receivables

	2019 $'000	2018 $'000
Current assets		
Trade receivables	**52,995**	55,940
Loss allowance (see Note 14(b))	**(2,960)**	(2,851)
Trade receivables	**50,035**	53,089
Accrued income	**2,933**	5,084
Other receivables	**2,731**	2,161
Prepayments	**5,539**	7,003
Trade and other receivables	**61,238**	67,337
Non-current assets – other receivables	**7,363**	5,859

Recognition and measurement

(a) Classification of trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 45 days following the provision of advertising, data services and sale of goods and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 14(b).

(b) Accrued income
Services provided in the current reporting period are recognised on accrual basis. Settlement is generally within 30 days.

(c) Other receivables
These amounts generally arise from transactions outside the usual operating activities of the Group. Interest is not charged and collateral is not normally obtained.

Recognition and measurement (continued)

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Other non-current receivables represent deposits paid in relation to long-term property leases by SK ENCARSALES.COM Ltd.

(d) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 14 and Note 10.

16. Property, plant and equipment

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
At 1 July 2017				
Cost	8,076	705	8,763	17,544
Accumulated depreciation	(6,126)	(213)	(3,916)	(10,255)
Net book amount	1,950	492	4,847	7,289
Year ended 30 June 2018				
Opening net book amount	1,950	492	4,847	7,289
Acquisition of subsidiaries	1,195	173	4,399	5,767
Additions	1,781	173	1,594	3,548
Disposals	(94)	-	-	(94)
Depreciation charge	(818)	(152)	(1,427)	(2,397)
Depreciation charge – discontinued operations	(337)	-	(71)	(408)
Exchange differences	44	25	135	204
Closing net book amount	3,721	711	9,477	13,909
At 30 June 2018				
Cost	12,549	1,115	15,975	29,639
Accumulated depreciation	(8,828)	(404)	(6,498)	(15,730)
Net book amount	3,721	711	9,477	13,909
Year ended 30 June 2019				
Opening net book amount	**3,721**	**711**	**9,477**	**13,909**
Additions	**1,423**	**703**	**1,687**	**3,813**
Disposals	**(14)**	**-**	**-**	**(14)**
Assets classified as held for sale	**(608)**	**(9)**	**(2,361)**	**(2,978)**
Depreciation charge	**(1,361)**	**(212)**	**(2,574)**	**(4,147)**
Depreciation charge – discontinued operations	**(264)**	**(3)**	**(71)**	**(338)**
Exchange differences	**24**	**27**	**216**	**267**
Closing net book amount	**2,921**	**1,217**	**6,374**	**10,512**
At 30 June 2019				
Cost	**11,044**	**1,832**	**14,847**	**27,723**
Accumulated depreciation	**(8,123)**	**(615)**	**(8,473)**	**(17,211)**
Net book amount	**2,921**	**1,217**	**6,374**	**10,512**

16. Property, plant and equipment continued

Recognition and measurement

Property, plant and equipment is stated at historical cost less accumulated 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 profit or loss 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 3-10 years
- Computer hardware and peripherals 3-5 years
- Leased plant and equipment 10-15 years or minimum lease period if shorter
- Leasehold improvements 3-10 years or minimum lease period if shorter

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.

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

17. Intangible assets

	Goodwill $'000	Computer Software $'000	Brands and customer relationships $'000	Other intangible assets* $'000	Total $'000
At 1 July 2017					
Cost	169,681	37,899	14,709	4,775	227,064
Accumulated amortisation and impairment	-	(20,580)	(2,228)	(4,302)	(27,110)
Net book amount	169,681	17,319	12,481	473	199,954
Year ended 30 June 2018					
Opening net book amount	169,681	17,319	12,481	473	199,954
Acquisition of subsidiaries	361,651	2,818	77,861	174	442,504
Additions**	-	18,165	-	86	18,251
Disposals	-	(14)	-	-	(14)
Amortisation charge	-	(8,602)	(4,449)	(180)	(13,231)
Amortisation charge – discontinued operations	-	(661)	(666)	-	(1,327)
Reclassifications of intangible assets	-	119	-	(119)	-
Exchange differences	10,666	(169)	2,325	(4)	12,818
Closing net book amount	541,998	28,975	87,552	430	658,955
At 30 June 2018					
Cost	541,998	55,625	94,925	4,888	697,436
Accumulated amortisation and impairment	-	(26,650)	(7,373)	(4,458)	(38,481)
Net book amount	541,998	28,975	87,552	430	658,955
Year ended 30 June 2019					
Opening net book amount	**541,998**	**28,975**	**87,552**	**430**	**658,955**
Acquisition of subsidiaries	**446**	**-**	**-**	**-**	**446**
Additions**	**-**	**21,424**	**-**	**152**	**21,576**
Disposals	**-**	**-**	**-**	**(10)**	**(10)**
Amortisation charge	**-**	**(12,353)**	**(7,699)**	**(85)**	**(20,137)**
Amortisation charge – discontinued operations	**-**	**(985)**	**(333)**	**-**	**(1,318)**
Impairment loss	**(47,809)**	**-**	**-**	**-**	**(47,809)**
Assets classified as held for sale	**(10,888)**	**(3,890)**	**(4,100)**	**(75)**	**(18,953)**
Exchange differences	**6,322**	**762**	**788**	**(3)**	**7,869**
Closing net book amount	**490,069**	**33,933**	**76,208**	**409**	**600,619**
At 30 June 2019					
Cost	**537,878**	**70,948**	**89,977**	**4,943**	**703,746**
Accumulated amortisation and impairment	**(47,809)**	**(37,015)**	**(13,769)**	**(4,534)**	**(103,127)**
Net book amount	**490,069**	**33,933**	**76,208**	**409**	**600,619**

* Other intangible assets include database, domain names and other.

** The difference between additions and payments for intangible assets on the consolidated statement of cash flows is attributable to development costs capitalised internally.

17. Intangible assets continued

Recognition and measurement

(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.

(ii) Computer software
Software includes capitalised development costs being an internally generated intangible asset.

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

(iii) Brands and customer relationships
Acquired brands represent the value of brands in acquired subsidiaries and businesses that are separately fair valued at the date of acquisition from the remaining goodwill. Acquired brands are amortised over a 10-year period.

Acquired customer relationships have a finite useful life and are carried at fair value at acquisition date less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is between seven to 12 years.

(iv) Other intangible assets
RedBook database costs capitalised to date 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 on a straight-line basis. The useful lives for these assets are as follows:

• Software	3-5 years
• Domain Names	5-10 years
• Database	10 years
• Brand intangibles	10 years
• Customer relationships	7-12 years

(a) Cash generating units

Goodwill is allocated to the Group's cash generating units (CGUs) and tested annually to determine whether they have suffered any impairment. 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).

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

	2019 $'000	2018 $'000
Online Advertising Services	**73,876**	73,876
Data, Research and Services	**14,541**	14,541
Discontinued operations (previously "Stratton Finance Group")	**-**	58,698
Mexico	**5,478**	5,018
Chile	**18,547**	18,224
Argentina	**1,250**	1,745
Latin America	**25,275**	24,987
South Korea	**376,377**	369,896
Asia	**376,377**	369,896
	490,069	541,998

(b) Impairment testing and key assumptions

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested 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, which includes carsales' equity held associate investments. 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.

Key assumptions

Both value in use and fair value less cost to sell valuation methods have been employed in determining the recoverable amounts of CGUs. Both methods are predicated on cash flow projections which necessitates the adoption of assumptions and estimates. With the exception of the carrying value of Stratton's goodwill which has been separately discussed in Note 23 Discontinued Operations, the key assumptions and estimates used in management's calculations primarily relate to:

- five or ten-year cash flow forecasts sourced from internal budgets and long-term forecasts;
- terminal value growth rates applied to the period beyond the five to ten-year cash flow forecasts; and
- post-tax discount rates, used to discount the cash flows to present value.

Each of these assumptions and estimates are based on a 'best estimate' at the time of performing the valuation. However, increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount of CGUs to fall below their carrying amounts, resulting in an impairment loss being recognised.

The cash flow projections have been:

- derived from management forecasts based on next year's budgeted result, with the remaining years based on management forecasts; and
- compiled using a combination of past experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

17. Intangible assets continued

The key assumptions for each significant CGU are detailed as follows:

CGU	Valuation method	Years of cash flow projection	Terminal growth rate 2019	Terminal growth rate 2018	Post-tax discount rate 2019	Post-tax discount rate 2018
Online Advertising Services	Value in use	5	**2.5%**	2.5%	**9.4%**	9.6%
Data, Research and Services	Value in use	5	**2.5%**	2.5%	**9.4%**	9.6%
Chile	Value in use	5	**3.0%**	3.0%	**10.3%**	10.5%
South Korea	Fair value less costs to sell	10	**2.5%**	N/A	**10.4%**	N/A
Mexico	Fair value less costs to sell	10	**3.0%**	3.0%	**12.0%**	11.1%

Impact of possible changes in key assumptions

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGUs above to exceed its recoverable amount.

18. Payables and provisions

	2019 $'000	Restated 2018 $'000
Trade and other payables		
Trade payables	**13,176**	21,871
Accrued expenses	**14,461**	22,120
Other payables	**6,489**	6,235
Total trade and other payables	**34,126**	50,226
Other payables – non-current	**29**	278
Provisions		
Employee benefits – current	**6,815**	7,598
Employee benefits – non-current	**912**	1,129
Total employee benefits	**7,727**	8,727

Recognition and measurement

(i) Payables

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

(ii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amount expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(iii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be settled within 12 months after the end of the period in which the employees render the related services 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments as well as other metrics set out in the Remuneration Report. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

19. Other financial liabilities

	2019 $'000	**2018 $'000**
Other financial liabilities – current	**-**	1,300
Put options – non-current	**9,538**	20,349
Derivative liabilities – non-current	**17,445**	-
	26,983	21,649

The Group has a number of put option contracts in relation to the remaining shares held by non-controlling interests in subsidiaries acquired. The most significant put option relates to Appraisal Solutions Pty Ltd.

Where risks and rewards of ownership of the non-controlling interests under these put option contracts do not transfer to the Group the estimated future liability for each put option contract is recognised in the balance sheet, with the initial recognition being through the transactions with non-controlling interests reserve and subsequent changes to fair value recognised as finance income/ expense. The put options valuations are based on contractual multiples of future earnings of the acquired subsidiaries for a defined period and are valued at 30 June 2019 based on forecasts of earnings for each acquired subsidiary. These liabilities are discounted to present value using a discount rate of 4.0%, with the unwinding of the discount being recognised as a finance expense.

20. Commitments

Non-cancellable operating leases

The Group leases offices in a number of locations. The most significant of these leases is the Melbourne head office where the lease is a non-cancellable operating lease expiring within three months. The Company has entered into a five-year extension on the lease which will commence from October 2019. The Group also leases various motor cars and printers under non-cancellable operating leases.

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**8,881**	8,877
Later than one year but not later than five years	**22,233**	28,037
Later than five years	**1,706**	6,877
	32,820	43,791

Bank guarantee facility

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are $4.6 million (2018: $3.69 million).

Other commitments

The Group has other contractual commitments of $9.1 million at 30 June 2019 (2018: $nil).

GROUP STRUCTURE

21. Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group *		Ownership interest held by non-controlling interests		Principal activities
		2019 %	**2018 %**	**2019 %**	**2018 %**	
Webpointclassifieds Pty Ltd	Australia	**100.0**	100.0	**-**	-	(1)
Equipment Research Group Pty Ltd	Australia	**100.0**	100.0	**-**	-	(2)
Discount Vehicles Australia Pty Ltd	Australia	**100.0**	100.0	**-**	-	(1)
Automotive Data Services Pty Ltd	Australia	**100.0**	100.0	**-**	-	(2)
Auto Information Limited	New Zealand	**100.0**	100.0	**-**	-	(2)
RedBook Automotive Services (M) Sdn Bhd	Malaysia	**100.0**	100.0	**-**	-	(2)
RedBook Automotive Data Services (Beijing) Limited	China	**100.0**	100.0	**-**	-	(2)
Automotive Data Services (Thailand) Company Limited	Thailand	**100.0**	100.0	**-**	-	(2)
tyresales Pty Ltd	Australia	**75.0**	75.0	**25.0**	25.0	(3)
Auto Exchange Holdings Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
Automotive Exchange Pty Ltd	Australia	**100.0**	100.0	**-**	-	(1)
carsales.com Investments Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
carsales Holdings Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
carsales.com Ltd Employee Share Trust	Australia	**100.0**	100.0	**-**	-	(5)
carsales Finance Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
Carconnect Pty Ltd	Australia	**50.1**	50.1	**49.9**	49.9	(6)
Stratton Finance Pty Ltd	Australia	**50.1**	50.1	**49.9**	49.9	(6)
Stratton Franchise Pty Ltd	Australia	**50.1**	50.1	**49.9**	49.9	(6)
Stratton Marine And Outdoor Finance Pty Ltd	Australia	**43.8**	43.8	**56.2**	56.2	(6)
RedBook Inspect Pty Ltd	Australia	**50.1**	50.1	**49.9**	49.9	(7)
carsales Latam Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
carsales Mexico SAPI de CV	Mexico	**100.0**	100.0	**-**	-	(1)
carsales Chile SpA	Chile	**100.0**	100.0	**-**	-	(4)
Chileautos SpA	Chile	**100.0**	83.3	**-**	16.7	(1)
carsales Foundation Pty Ltd	Australia	**100.0**	100.0	**-**	-	(8)
carsales Argentina Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
Demotores Holdings LLC	United States of America	**100.0**	100.0	**-**	-	(4)
Demotores Chile SpA	Chile	**100.0**	100.0	**-**	-	(1)
Demotores S.A.	Argentina	**100.0**	100.0	**-**	-	(1)
Automotive Online Publishing Solutions S.A de C.V.	Mexico	**60.0**	60.0	**40.0**	40.0	(1)
SK ENCARSALES.COM Ltd	South Korea	**100.0**	100.0	**-**	-	(1)
AS1 Holdings Pty Ltd	Australia	**100.0**	100.0	**-**	-	(4)
Appraisal Solutions Australia Pty Ltd	Australia	**60.0**	60.0	**40.0**	40.0	(7)

* The proportion of ownership interest is equal to the proportion of voting power held.

21. Interests in other entities continued

(a) Material subsidiaries

(1) Classified advertising.
(2) Data and research.
(3) Online retail.
(4) Holding company.
(5) Share trust company.
(6) Finance and related services.
(7) Car inspection.
(8) Trustee company.

(i) Subsidiaries

Subsidiaries are all those 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 deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company (refer Note 22).

Intercompany transactions, balances and unrealised gains on transactions between 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 Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

30 June 2019	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised balance sheet				
Current assets	**3,523**	**2,744**	**5,104**	**989**
Current liabilities	**(4,872)**	**(1,925)**	**(1,255)**	**(529)**
Non-current assets	**811**	**1,920**	**442**	**4,511**
Non-current liabilities	**-**	**(771)**	**-**	**-**
Net assets	**(538)**	**1,968**	**4,291**	**4,971**
Accumulated NCI	**(134)**	**982**	**-**	**930**

Restated 30 June 2018	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised balance sheet				
Current assets	3,023	3,077	3,127	1,348
Current liabilities	(2,553)	(1,471)	(454)	(156)
Non-current assets	465	1,175	241	4,434
Non-current liabilities	-	(509)	-	-
Net assets	935	2,272	2,914	5,626
Accumulated NCI	234	1,133	487	1,121

30 June 2019	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised statement of comprehensive income				
Profit/(loss) for the period	**(1,474)**	**1,047**	**1,310**	**(565)**
Profit/(loss) allocated to NCI	**(368)**	**522**	**59**	**(174)**
Dividends paid to NCI	**-**	**674**	**-**	**121**
Other comprehensive income	**-**	**-**	**(2)**	**105**

Restated 30 June 2018	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised statement of comprehensive income				
Profit/(loss) for the period	667	2,112	1,154	(119)
Profit/(loss) allocated to NCI	186	1,054	197	(48)
Dividends paid to NCI	-	584	-	-
Other comprehensive income	-	-	2	45

30 June 2019	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised cash flows				
Cash flows from operating activities	**479**	**2,616**	**889**	**(479)**
Cash flows from investing activities	**8**	**(1,212)**	**(284)**	**(32)**
Cash flows from financing activities	**-**	**(1,455)**	**(1)**	**(304)**
Net increase/(decrease) in cash and cash equivalents	**487**	**(51)**	**604**	**(815)**

30 June 2018	tyresales $'000	RedBook Inspect $'000	chileautos $'000	Other $'000
Summarised cash flows				
Cash flows from operating activities	(373)	982	477	(114)
Cash flows from investing activities	14	(356)	-	(1,472)
Cash flows from financing activities	-	(597)	-	2,745
Net increase/(decrease) in cash and cash equivalents	(359)	29	477	1,159

21. Interests in other entities continued

(c) Interests in associates

Name of entity	Place of business/ country of incorporation	% of ownership interest 2019 %	2018 %	Nature of relationship	Measurement method
Webmotors S.A.	Brazil	**30.0**	30.0	Associate	Equity method
SK ENCARSALES.COM Ltd(1)	South Korea	**-**	-	Associate	Equity method
RateSetter Australia Pty Ltd(2)	Australia	**16.7**	18.6	Associate	Equity method
PromisePay Pte Ltd(3)	Singapore	**-**	-	Associate	Equity method
Skedgo Pty Ltd	Australia	**20.0**	-	Associate	Equity method
Total equity accounted investments					

Name of entity	Quoted fair value 2019 $'000	2018 $'000	Carrying amount 2019 $'000	2018 $'000	Share of Profit 2019 $'000	2018 $'000
Webmotors S.A.	**-**	-	**64,626**	58,810	**5,150**	3,628
SK ENCARSALES.COM Ltd(1)	**-**	-	**-**	-	**-**	3,489
RateSetter Australia Pty Ltd(2)	**-**	-	**9,533**	9,340	**(1,875)**	(1,431)
PromisePay Pte Ltd(3)	**-**	-	**-**	-	**-**	(543)
Skedgo Pty Ltd	**-**	-	**2,509**	-	**(151)**	-
Total equity accounted investments	**-**	-	**76,668**	68,150	**3,124**	5,143

(1) On 19 January 2018, the SK ENCARSALES.COM Ltd investment was transferred from an associate to a consolidated subsidiary as a result of the 100% acquisition of this business.
(2) RateSetter is equity accounted for as carsales exercises significant influence over this entity through the right to appoint a director to the Board.
(3) On 9 January 2018, carsales' Non-Executive Director stepped down from the Board of PromisePay. As a result the investment in PromisePay is accounted for as a financial asset at fair value through other comprehensive income from this date.

(i) Associates

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition. Acquisition-related costs of associates are capitalised.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Contingent liabilities in respect of associates

Contingent liabilities – associates	2019 $'000	2018 $'000
Contingent liabilities relating to liabilities of the associate for which the Company is severally liable	**344**	453

(iii) Summarised financial information for significant associates

	Webmotors S.A.		SK ENCARSALES.COM Ltd*	
	30 June 2019 $'000	**30 June 2018 $'000**	**30 June 2019 $'000**	**30 June 2018 $'000**
Summarised balance sheet				
Total current assets	**42,121**	33,003	**-**	-
Total non-current assets	**31,207**	22,817	**-**	-
Total current liabilities	**(11,708)**	(8,285)	**-**	-
Total non-current liabilities	**-**	-	**-**	-
Net assets	**61,620**	47,535	**-**	-
Group's share in %	**30%**	30%	**-**	-
Group's share in $	**18,486**	14,261	**-**	-
Goodwill	**40,277**	38,454	**-**	-
Acquired intangibles	**5,863**	6,095	**-**	-
Carrying amount	**64,626**	58,810	**-**	-
Reconciliation of carrying value				
Opening carrying value	**58,810**	63,678	**-**	144,759
Profit for the period	**5,697**	4,200	**-**	4,352
Amortisation of intangibles	**(547)**	(571)	**-**	(863)
Other comprehensive income	**2,967**	(6,947)	**-**	4,316
Dividends received	**(2,301)**	(1,550)	**-**	-
Transfer to consolidated subsidiary	**-**	-	**-**	(152,564)
Closing carrying value	**64,626**	58,810	**-**	-

	Webmotors S.A.		SK ENCARSALES.COM Ltd*	
	30 June 2019 $'000	**30 June 2018 $'000**	**30 June 2019 $'000**	**30 June 2018 $'000**
Summarised statement of comprehensive income				
Revenue	**67,779**	53,814	**-**	25,890
Profit from continuing operations	**18,989**	14,000	**-**	8,721
Other comprehensive income	**-**	-	**-**	89
Total comprehensive income	**18,989**	14,000	**-**	8,810
carsales share				
Profit from continuing operations	**5,150**	3,629	**-**	3,489
Other comprehensive income	**2,967**	(6,947)	**-**	4,316
Total	**8,117**	(3,318)	**-**	7,805
Dividends received from associates and joint venture entities	**2,301**	1,550	**-**	-

* On 19 January 2018, the SK ENCARSALES.COM Ltd investment was transferred from an associate to a consolidated subsidiary as a result of the 100% acquisition of this business.

21. Interests in other entities continued

(d) Financial assets at fair value through other comprehensive income

	% of ownership		Carrying amount	
Name of entity	**2019 %**	**2018 %**	**2019 $'000**	**2018 $'000**
iCar Asia Limited	**11.8**	13.1	**9,766**	11,770
PromisePay Pte Ltd	**7.3**	7.3	**7,253**	7,253
Other equity investments	**N/A**	N/A	**2,886**	774
Total financial assets at fair value through other comprehensive income			**19,905**	19,797

	2019 $'000	2018 $'000
At 1 July	**19,797**	13,301
Transfer from equity accounted associates	**-**	6,437
Acquisition of financial assets at fair value through other comprehensive income	**1,676**	764
Exchange differences recognised through other comprehensive income	**66**	10
Loss recognised through other comprehensive income	**(1,634)**	(715)
At 30 June	**19,905**	19,797

Recognition and measurement
Investments are designated as financial assets at fair value through other comprehensive income if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. The Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. Note 1 explains the changes in accounting policy.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(e) Associate investment dilution

	2019 $'000	2018 $'000
Gain on associate investment dilution	**2,069**	1,251

Associate investment dilution

As a result of a change in the Company's holding of investments in associates, there is a gain on associate investment dilution of $2,069,000 (2018: $1,251,000).

22. Business combinations and disposals

(a) SK ENCARSALES.COM (SK Encar) acquisition

On 22 December 2017 carsales.com Ltd signed a purchase agreement to purchase the remaining 50.1% stake of South Korea's SK ENCARSALES.COM Ltd (SK Encar), giving carsales 100% control and ownership of South Korea's number one online auto classifieds business.

The initial accounting for the acquisition was only provisionally determined at the end of the prior reporting period. The necessary fair valuation of consideration and net assets acquired has now been finalised and is reflected in the amounts detailed below.

	$'000
Cash and cash equivalents	30,923
Trade and other receivables	7,523
Plant and equipment	5,766
Intangible assets	
Customer relationship	38,205
Brands	39,656
Computer software	1,492
Deferred tax assets	775
Trade and other payables	(5,443)
Special compensation liability	(8,335)
Tax liabilities	(3,207)
Deferred tax liabilities	(17,129)
Other liabilities	(3,162)
Net identifiable assets acquired	**87,064**
Add: Goodwill	359,119
Net assets acquired	**446,183**

The respective changes to the reported provisional fair value of net assets acquired are:

- Increase in special compensation liability by $0.4 million as a result of an increased insurance cost following the special compensation payment done pre-acquisition.
- Increase of $0.04 million due to the adoption and retrospective application of *AASB15 Revenue from Contracts with Customers*, resulting in an increase to the deferred revenue balance at acquisition date.
- Increase in deferred tax asset by $0.1 million to recognise future tax benefit associated with the revised fair value in accordance with AASB15 and AASB3 restatements.

The resulting impact of the above fair value adjustment is to increase the value of goodwill on acquisition to $446.2 million.

The goodwill is attributable to SK Encar's strong position in its market, it's customer database, brand presence, the high profitability of the business and synergy benefits expected to be created by this acquisition.

Goodwill is not expected to be deductible for tax purposes.

Net gain on revaluation

In accordance with the accounting policy above, the Group has re-measured its previously held equity interest in SK ENCARSALES.COM Ltd at the acquisition date fair value immediately prior to the business combination. The fair value has been determined using valuation techniques based on the equity value at acquisition date and excludes any control premium applicable to the controlling interest. The Group has recognised a net gain on the step acquisition of A$57.0 million, being the difference between the acquisition-date fair value of its existing 49.9% ownership in SK Encar (A$202.8 million), the carrying value of its investment in SK Encar as an associate (A$152.6 million) and the impact of historical foreign exchange movements and hedging losses on the investment balance (A$6.8 million). This gain has been recognised as 'net gain on step acquisition' in the consolidated income statement.

22. Business combinations and disposals continued

	$'000
Fair value of previously held interest	202,755
Less: carrying value of SK Encar investment as an associate	(152,564)
	50,191
Add: reclassification of exchange differences and hedging losses	6,828
Net gain on step acquisition	**57,019**

23. Discontinued operations

(a) Stratton Finance Group

Stratton goodwill impairment – half year ended 31 December 2018

During the half-year ended 31 December 2018, carsales recognised a non-cash impairment charge against the carrying value of its 50.1% investment in Stratton Finance Pty Ltd. As at 31 December 2018, the carrying value of the Stratton CGU was compared with the value in use discounted cash flow model. As at 31 December 2018, the carrying value of Stratton exceeded its value in use by $47.8 million and an impairment loss of this amount was recognised in the income statement. The carrying value of the remaining goodwill in the Stratton CGU post impairment is $10.9 million.

In carsales' FY18 Financial Report, the Directors identified that certain external factors had the potential to adversely impact the valuation of the Stratton Finance CGU, including ASIC legislative changes on car financing which came into effect in November 2018 and the continued tight credit market conditions. The identified external factors have impacted Stratton in FY19 resulting in the impairment.

The key assumptions used in determining Stratton impairment charge are as follows:

CGU	Valuation method	Years of cash flow projection	Terminal growth rate 31 December 2018	Terminal growth rate 30 June 2018	Post-tax discount rate 31 December 2018	Post-tax discount rate 30 June 2018
Stratton Finance Group	Value in use	5	3.00%	3.00%	9.75%	9.75%

Discontinued operations – financial year ended 30 June 2019

On 13th June 2019, the Group announced its strategic review and intention to sell its 50.1% interest in Stratton Finance Pty Ltd ("Stratton"), the vehicle finance broking business. As a result of this process, Stratton Finance Group is classified as a discontinued operation in the FY19 financial statements and presented as a current asset held for sale.

Impairment assessment under AASB136

Pursuant to AASB5, the remaining carrying value of Stratton following the impairment charge is required to be tested for impairment under AASB136 immediately before being classified as held for sale. The disposal group is required to be measured at fair value less costs to sell based on the best evidence available at the reporting date.

Management has used the fair value less costs to sell valuation method for this impairment test. The outcome of the analysis indicates that recoverable amount supports the carrying value and no impairment is required. As the asset is being held for sale, management have assessed the likely amount that will be recovered through sale and have determined a range of achievable proceeds based on future business profitability and trading multiples as well as considering comparable transactions in the market to calculate recoverable amount.

(b) Financial performance and cash flow information

The financial performance and cash flow information are for the year ended 30 June 2019 and 30 June 2018.

	2019 $'000	2018 $'000
Revenue from contracts with customers	**57,030**	68,515
Expenses		
Cost of sales	**(16,625)**	(18,488)
Other operating expenses	**(38,039)**	(41,797)
Earnings before interest, taxes, depreciation and amortisation	**2,366**	8,230
Depreciation and amortisation expense	**(1,656)**	(1,735)
Net finance costs	**(205)**	(162)
Impairment loss	**(47,809)**	-
(Loss)/Profit before income tax	**(47,304)**	6,333
Income tax expense	**(408)**	(2,032)
(Loss)/Profit after income tax	**(47,712)**	4,301
Less: non-controlling interests	**(266)**	(2,041)
(Loss)/Profit after income tax from discontinued operations	**(47,978)**	2,260
Net cash inflow from operating activities	**3,569**	1,940
Net cash outflow from investing activities	**(965)**	(482)
Net cash inflow/(outflow) from financing activities	**193**	(3,484)
Net increase/(decrease) in cash	**2,797**	(2,026)
Cash and cash equivalents at the beginning of the financial year	**6,224**	8,250
Cash and cash equivalents at the end of the financial year	**9,021**	6,224

The discontinued operations have been presented on a standalone basis including intercompany transactions with the continuing Group.

(c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 30 June 2019.

	2019 $'000	2018 $'000
Assets classified as held for sale		
Cash and cash equivalents	**9,021**	-
Trade and other receivables	**3,793**	-
Inventories	**641**	-
Property, plant and equipment	**2,978**	-
Computer software and other intangible assets	**3,965**	-
Deferred tax assets	**674**	-
Brands	**4,100**	-
Goodwill	**10,888**	-
Total assets of disposal group held for sale	**36,060**	-
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	**15,558**	-
Borrowings	**4,501**	-
Current tax liabilities	**13**	-
Deferred revenue	**295**	-
Provisions	**1,405**	-
Deferred tax liabilities	**1,230**	-
Total liabilities of disposal group held for sale	**23,002**	-

23. Discontinued operations continued

Non-current assets (or disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The carrying value of the Stratton disposal group has been determined using the lower of the existing carrying value and the fair value less costs to sell method based on the proceeds expected to be achieved from the disposal process. The proceeds achieved through the disposal process are uncertain at the date of this report and could result in a material gain or loss compared to the carrying value at 30 June 2019.

24. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in Note 21.

(b) Key Management Personnel compensation

	2019 $	**2018 $**
Short-term employee benefits	**6,230,081**	6,369,824
Deferred short-term employee benefits	**380,962**	349,102
Post-employment benefits	**194,461**	196,768
Long-term employment benefits	**85,505**	62,857
Share-based payments	**(16,990)**	1,010,675
	6,874,019	7,989,226

(c) Transactions with other related parties

The following transactions occurred with related parties, the nature of which are described in the Remuneration Report.

	2019 $	**2018 $**
Sale of goods and services		
Sale of goods and services to related parties	**1,376,300**	1,316,090
Purchase of goods and services		
Purchase of goods and services from related parties	**1,595,639**	1,424,114

All transactions were made on normal commercial terms and conditions, at market rates and includes transactions with associates.

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019 $	**2018 $**
Current receivables (sale of goods and services)		
Other related parties	**150,500**	233,982
Current payables (purchase of goods and services)		
Other related parties	**406,474**	524,303

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

25. Deed of cross guarantee

The following controlled entities have entered into a Deed of Cross Guarantee:

Company	Financial year entered into agreement
carsales.com Ltd	30 June 2015
carsales Holdings Pty Ltd	30 June 2015
carsales Finance Pty Ltd	30 June 2015
Auto Exchange Holdings Pty Ltd	30 June 2015
Automotive Data Services Pty Ltd	30 June 2015
carsales.com Investments Pty Ltd	30 June 2015
Discount Vehicles Australia Pty Ltd	30 June 2015
Equipment Research Group Pty Ltd	30 June 2015
Webpointclassifieds Pty Ltd	30 June 2015
carsales Latam Pty Ltd	30 June 2016
carsales Foundation Pty Ltd	30 June 2016
carsales Argentina Pty Ltd	30 June 2017
Automotive Exchange Pty Ltd	30 June 2018
AS1 Holdings Pty Ltd	30 June 2018

The companies that are party to this deed guarantee the debts of the others and represent the 'Closed Group' from the date of entering into the agreement.

These wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income

Set out below is a consolidated statement of comprehensive income for the year ended 30 June 2019 of the Closed Group.

Consolidated statement of comprehensive income	2019 $'000	Restated 2018 $'000
Revenue from continuing operations		
Revenue from contracts with customers	**301,480**	300,205
Revenue from continuing operations	**301,480**	300,205
Expenses		
Costs of sale	**(4,729)**	(3,809)
Sales and marketing expenses	**(57,611)**	(61,968)
Service development and maintenance	**(21,504)**	(28,214)
Operations and administration	**(39,445)**	(28,316)
Earnings before interest, taxes, depreciation and amortisation	**178,191**	177,898
Depreciation and amortisation expense	**(12,564)**	(9,398)
Finance income	**1,773**	1,175
Finance costs	**(15,020)**	(10,511)
Changes in fair value of put options	**11,253**	(4,019)
Dividends received	**4,054**	14,761
Loss on associates fair value adjustment	**-**	(1,018)
Impairment loss	**(47,809)**	-
Profit before income tax	**119,878**	168,888
Income tax expense	**(43,771)**	(48,092)
Profit from continuing operations	**76,107**	120,796
Total comprehensive income for the year	**62,632**	109,776
Profit is attributable to:		
Owners of carsales.com Ltd	**76,107**	120,621
Non-controlling interests	**-**	175
	76,107	120,796

25. Deed of cross guarantee continued

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2019 of the Closed Group.

Consolidated statement of finance position	2019 $'000	Restated 2018 $'000
Current assets		
Cash and cash equivalents	**45,094**	30,477
Trade and other receivables	**53,713**	53,783
Total current assets	**98,807**	84,260
Non-current assets		
Investments	**542,868**	541,660
Financial assets at fair value through other comprehensive income	**19,905**	19,797
Property, plant and equipment	**2,248**	2,925
Deferred tax assets	**9,317**	4,943
Intangible assets	**113,292**	108,096
Other receivables	**6,429**	22,442
Total non-current assets	**694,059**	699,863
Total assets	**792,866**	784,123
Current liabilities		
Trade and other payables	**20,004**	23,241
Borrowings	**-**	246,000
Other financial liabilities	**-**	1,300
Current tax liabilities	**2,690**	11,240
Provisions	**6,283**	5,939
Deferred revenue	**3,398**	3,270
Total current liabilities	**32,375**	290,990
Non-current liabilities		
Trade and other payables	**20,645**	-
Borrowings	**473,798**	204,000
Other financial liabilities	**9,538**	20,349
Derivative liabilities	**17,445**	-
Provisions	**912**	906
Total non-current liabilities	**522,338**	225,255
Total liabilities	**554,713**	516,245
Net assets	**238,153**	267,878
Equity		
Contributed equity	**135,372**	119,541
Reserves	**(23,439)**	(9,405)
Retained earnings	**126,220**	157,742
Total equity	**238,153**	267,878

OTHER

26. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2019 $	2018 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of Financial Reports	**583,263**	575,493
Due diligence services	**31,620**	94,400
Total remuneration for audit and other assurance services	**614,883**	669,893
Taxation services		
Tax compliance services, including review of Company income tax returns	**98,960**	161,671
Tax consulting and tax advice on mergers and acquisitions	**122,585**	28,056
Total remuneration for taxation services	**221,545**	189,727
Other services		
Other services	**30,553**	67,867
Total remuneration for other services	**30,553**	67,867
Total remuneration of PricewaterhouseCoopers Australia	**866,981**	927,487
(b) Network firms of PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of Financial Reports	**129,902**	30,954
Total remuneration for audit and other assurance services	**129,902**	30,954
Total remuneration of PricewaterhouseCoopers	**996,883**	958,441
(c) Non-PwC audit firms		
Audit and other assurance services		
Audit and review of financial statements	**33,297**	31,529
Total remuneration for audit and other assurance services	**33,297**	31,529
Total auditors' remuneration	**1,030,180**	989,970

It is the Company's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PwC is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major consulting projects.

27. Share-based payments

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

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were ($21,000) (2018: $2,025,000).

Employee Option Plan

Set out below are summaries of options and performance rights granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at start of the year	Options granted during the year	Performance rights granted during the year	Total exercised during the year	Expired or lapsed during the year	Balance at the end of the year	Vested and exercisable at end of the year
Oct 2013	**Oct 2018**	**$9.10**	**32,272**	**-**	**-**	**(29,929)**	**(2,343)**	**-**	**-**
Oct 2014	**Oct 2019**	**$10.71**	**27,448**	**-**	**-**	**(2,225)**	**(556)**	**24,667**	**24,667**
Oct 2015	**Oct 2020**	**$10.24**	**566,926**	**-**	**-**	**(206,600)**	**(144,826)**	**215,500**	**215,500**
Oct 2015	**Oct 2020**	**$0.00**	**121,467**	**-**	**-**	**(91,894)**	**(29,573)**	**-**	**-**
Oct 2016	**Oct 2031**	**$0.00**	**211,702**	**-**	**-**	**(32,796)**	**(55,829)**	**123,077**	**-**
Oct 2016	**Oct 2031**	**$12.23**	**865,916**	**-**	**-**	**-**	**(234,258)**	**631,658**	**-**
Oct 2017	**Oct 2032**	**$11.41**	**364,674**	**-**	**-**	**-**	**(53,242)**	**311,432**	**-**
Oct 2017	**Oct 2032**	**$0.00**	**229,506**	**-**	**-**	**-**	**(33,506)**	**196,000**	**-**
Aug 2018	**Aug 2019**	**$0.00**	**-**	**-**	**48,448**	**-**	**-**	**48,448**	**-**
Oct 2018	**Aug 2033**	**$14.87**	**-**	**499,152**	**-**	**-**	**(3,948)**	**495,204**	**-**
Oct 2018	**Aug 2033**	**$0.00**	**-**	**-**	**178,569**	**-**	**(1,412)**	**177,157**	**-**
Feb 2019	**Feb 2034**	**$0.00**	**-**	**-**	**16,706**	**-**	**-**	**16,706**	**16,706**
Total			**2,419,911**	**499,152**	**243,723**	**(363,444)**	**(559,493)**	**2,239,849**	**256,873**
Weighted average exercise price			**$8.74**	**$14.87**	**$0.00**	**$6.64**	**$9.01**	**$9.43**	**$9.62**

2018

Grant date	Expiry date	Exercise price	Balance at start of the year	Options granted during the year	Performance rights granted during the year	Total exercised during the year	Expired or lapsed during the year	Balance at the end of the year	Vested and exerciable at the end of the year
Oct 2012	Oct 2017/ Mar 2018	$5.93	195,148	-	-	(195,148)	-	-	-
Oct 2013	Oct 2018	$9.10	61,141	-	-	(28,869)	-	32,272	32,272
Oct 2014	Oct 2019	$10.71	423,084	-	-	(18,920)	(376,716)	27,448	27,448
Oct 2014	Oct 2019	$0.00	104,182	-	-	(11,416)	(92,766)	-	-
Oct 2015	Oct 2020	$10.24	611,160	-	-	-	(44,234)	566,926	-
Oct 2015	Oct 2020	$0.00	175,501	-	-	(35,691)	(18,343)	121,467	-
Oct 2016	Oct 2031	$12.23	886,824	-	-	-	(20,908)	865,916	-
Oct 2016	Oct 2031	$0.00	215,336	-	-	-	(3,634)	211,702	-
Oct 2017	Oct 2032	$11.41	-	365,365	-	-	(691)	364,674	-
Oct 2017	Oct 2032	$0.00	-	-	229,941	-	(435)	229,506	-
Total			2,672,376	365,365	229,941	(290,044)	(557,727)	2,419,911	59,720
Weighted average exercise price			$8.74	$11.41	$0.00	$5.59	$8.52	$8.74	$9.84

The estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2019 is estimated to be approximately $14.27 (2018: approximately $13.96).

The weighted average remaining contractual life of share options outstanding at the end of the period was 10.37 years (2018: 10.65 years).

The establishment of the carsales.com Ltd Employee Option Plan was undertaken under a prospectus lodged with ASIC in 2000. Staff eligible to participate in the plan are those invited by the Board of Directors.

Options and performance rights are granted under the plan for no consideration with conditions including a vesting period and expiry date. Senior Executives' vesting conditions, including EPS targets, are noted in the Remuneration Report on page 49.

Options and performance rights granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in return for payment of the option's exercise price. Each performance rights is convertible into one ordinary share for $0.00 exercise price, upon satisfaction of all vesting requirements.

The exercise price of options is set in advance by the Board of Directors.

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2019 is $1.53 (2018: $3.25). The assessed fair value at grant date of performance rights granted during the year ended 30 June 2019 is $10.93 (2018: $12.06).

The model inputs for options and performance rights granted during the year ended 30 June 2019 included:

	Options		**Performance rights**	
	2019	**2018**	**2019**	**2018**
Exercise price	**$14.87**	$11.41	**$0.00**	$0.00
Grant date	**October 2018**	October 2017	**October 2018**	October 2017
Expiry date	**August 2033**	October 2032	**August 2033**	October 2032
Share price at grant date	**$12.36**	$13.74	**$12.36**	$13.74
Expected price volatility of the Company's shares	**27.9%**	25.9%	**27.9%**	25.9%
Expected dividend yield	**3.2%**	3.2%	**3.2%**	3.2%
Risk-free interest rate	**2.5%**	2.5%	**2.5%**	2.5%

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

28. Parent entity financial information

(a) Summary financial information

	2019 $'000	Restated 2018 $'000
Balance sheet		
Current assets	**93,338**	81,936
Non-current assets	**919,723**	902,732
Total assets	**1,013,061**	984,668
Current liabilities	**195,548**	454,132
Non-current liabilities	**554,710**	232,063
Total liabilities	**750,258**	686,195
Shareholders' equity		
Issued capital	**135,372**	119,541
Reserves	**2,847**	16,933
Retained earnings	**124,584**	161,999
Total equity	**262,803**	298,473
Profit for the year	**70,213**	119,788
Total comprehensive income	**83,736**	120,490

Recognition and measurement

The financial information for the parent entity, carsales.com Ltd, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of carsales.com Ltd. Dividends received from subsidiaries are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments. Investments in subsidiaries are tested for impairment whenever changes in events or circumstances indicate that the carrying amount may not be recoverable. Such events may include receipt of dividends, refer Note 17 for details of impairment accounting policies.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

29. Contingent liabilities

The Group and the parent entity from time to time may incur obligations arising from litigation or other contracts entered into in the normal course of business. Neither the Group nor the parent entity have any material contingent liabilities where the probability of outflow in any settlement is greater than remote as at 30 June 2019 or 30 June 2018 other than the associates contingent liabilities as set out in Note 21(c).

30. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 83 to 149 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.

  (ii) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The basis of preparation confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and CEO, and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Cameron McIntyre
Managing Director and CEO

Melbourne
20 August 2019

Independent auditor's report

To the members of carsales.com Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of carsales.com Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended;

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall materiality of $9.2 million, which represents approximately 5% of the Group's profit before income tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before income tax from continuing operations because, in our view, it is the metric against which the performance of the Group is measured. Profit before tax from continuing operations excludes the financial performance of carsales' 50.1% interest in Stratton Finance Group, including recognition of the $47.8 million goodwill impairment loss, given Stratton Finance Group was classified as held for sale and as a discontinued operation at 30 June 2019.
- We utilised 5% based on our professional judgement, noting that it is also within the range of commonly acceptable profit related thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- carsales operates across five reporting segments, being Online Advertising Services, Data, Research and Services, Latin America, Asia and Finance and related services (discontinued operation). Its head office function is based in Melbourne, Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

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Key audit matter	How our audit addressed the key audit matter
Carrying value of SK Encar goodwill Refer to note 17 Intangible assets The South Korean operating segment includes $376.4 million of goodwill at 30 June 2019 relating to the SK Encar cash generating unit (CGU). In order to assess recoverability of the goodwill, the Group prepared a fair value less costs to sell model as at 30 June 2019 to determine if the carrying value of goodwill was supported by future forecast cash flows, discounted to present value. The recoverability of the SK Encar goodwill was a key audit matter given its significance to the Group and the judgements and assumptions required in assessing the CGU's fair value less costs to sell, including forecast cash flows, growth rates and the discount rate	Our procedures included the following, amongst others: • evaluated the Group's cash flow forecasts and the process by which they were developed. • compared the 2020 forecast to the board approved budget. • assessed the Group's ability to make reliable forecasts by comparing actual performance for 2019 to the board approved budget. • compared growth rate assumptions with those used in the acquisition model that supported the acquisition of SK Encar in 2018. • assessed the cash flow forecasts by considering the key factors and underlying drivers for growth. • performed sensitivity analysis on growth rates and the discount rate. • considered recent transactions as an indicator of fair value. We evaluated the Group's discount rate and terminal growth rate calculation, including whether the method used was appropriate and the estimate was reasonable, with the assistance of our internal valuation experts. We considered the disclosures made in note 17 regarding impairment testing and key assumptions, in light of the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Carrying value of the investment in Stratton Finance Group Refer to note 23 Discontinued operations During 2019 goodwill in Stratton Finance Group was impaired by $47.8 million due to the impact of ASIC legislative changes on car financing which came into effect in November 2018 and the continued tight credit market conditions. The carrying value of the remaining goodwill was $10.9 million at 30 June 2019. In June 2019 carsales announced its intention to sell its 50.1% interest in Stratton Finance Group and at 30 June 2019 it was classified as held for sale and as a discontinued operation. This necessitated a further assessment of the recoverability of the Stratton Finance Group CGU at 30 June 2019. The recoverability of the Stratton Financial Group CGU was a key audit matter given its significance to the Group, the impairment charge recognised and the judgements and assumptions required in assessing the CGU's fair value less costs to sell.	In relation to the $47.8 million impairment charge recorded in December 2018, we assessed the Group's estimates of forecast cash flows, discount rate and terminal growth rate. We checked that the difference between recoverable amount and the carrying amount of the CGU's assets and liabilities equated to the impairment charge. Our procedures to further assess the recoverability of the Stratton Finance Group CGU at 30 June 2019 included the following, amongst others: • assessed if the Stratton Finance disposal group was measured at the lower of its carrying amount and fair value less costs to sell. • evaluated the estimate of fair value less costs to sell including consideration of forecast earnings and the trading multiple to value the disposal group. We also considered the disclosures made in the financial report and note 23 Discontinued operations, in the light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 49 to 77 of the directors' report for the year ended 30 June 2019. In our opinion, the remuneration report of carsales.com Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
20 August 2019

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2019.

A. Distribution of equity securities

	Class of equity security			
	Ordinary shares			
Holding	Shares	Options and performance rights	Redeemable preference shares	Convertible notes
1 – 1,000	10,091	43	-	-
1,001 – 5,000	6,746	52	-	-
5,001 – 10,000	834	27	-	-
10,001 – 100,000	461	21	-	-
100,001 and over	75	1	-	-
	18,207	144	-	-

There were 321 holders of less than a marketable parcel of ordinary shares. There were no redeemable preference shares or convertible notes outstanding.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	84,636,253	34.6
J P Morgan Nominees Australia Limited	32,225,885	13.2
Citicorp Nominees Pty Limited	16,145,384	6.6
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	13,007,409	5.3
National Nominees Limited	10,447,602	4.3
BNP Paribas Noms Pty Ltd <DRP>	4,364,519	1.8
Essena Pty Ltd	3,173,062	1.3
Australian Foundation Investment Company Limited	2,874,622	1.2
Billkaren Pty Ltd <Robinson Family A/C>	2,075,500	0.8
Four Us Pty Ltd	1,926,555	0.8
CS Third Nomineeds Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,702,243	0.7
Citicorp Nomineeds Pty Limited <Citibank NY ADR DEP A/C>	1,564,288	0.6
Citicorp Nomineeds Pty Limited <Colonial First State INV A/C>	1,495,572	0.6
Australian Foundation Investment Company Limited	1,316,389	0.5
Mr Andrew Gajtan Curmi	1,160,500	0.5
Gregory Paul Roebuck	1,073,968	0.4
Milton Corporation Limited	1,042,000	0.4
HSBC Custody Nominees (Australia) Limited	941,793	0.4
Mrs Anne Beirne	895,000	0.4
Kilienz Pty Ltd <PW & AE Aitken Family A/C>	818,048	0.3
	182,886,592	74.7

Shareholder Information continued

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Employee Option Plan to take up ordinary shares	2,239,849	144

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Hyperion Asset Management	13,209,454	5.4

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Corporate Directory

Directors

Richard Collins
(Non-Executive Chair)
(Retired as a Director on 4 January 2019)

Pat O'Sullivan
(Non-Executive Chair)
(Appointed Chair on 4 January 2019)

Cameron McIntyre
(Managing Director and CEO)

Wal Pisciotta OAM
(Non-Executive Director)

Kim Anderson
(Non-Executive Director)

Edwina Gilbert
(Non-Executive Director)

Kee Wong
(Non-Executive Director)
(Appointed as a Director on 9 July 2018)

David Wiadrowski
(Non-Executive Director)
(Appointed as a Director on 23 May 2019)

Steve Kloss
(Alternate Non-Executive Director)

Company secretary

Nicole Birman

Registered office

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Share registry

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F +61 3 9473 2500
computershare.com

External auditor

PricewaterhouseCoopers
2 Riverside Quay Southbank Vic 3006

Stock Exchange

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

ASX: CAR

carsales.com ltd