

Appendix 4E

carsales.com Ltd

ABN 91 074 444 018

Results for Announcement to the Market

Full-year ended 30 June 2021

(Previous corresponding period: Full-year ended 30 June 2020)

				A\$'000
Revenue from continuing operations	Up	8.39%	to	427,164
Profit for the year after tax	Up	12.19%	to	131,212
Net profit for the period attributable to members	Up	13.98%	to	130,704
Adjusted net profit ¹ for the period attributable to members	Up	10.56%	to	152,780

Dividends / Distribution	Amount per security	Franked amount per security
2020 Final Dividend paid	25.0 cents	25.0 cents
2021 Interim Dividend paid	25.0 cents	25.0 cents
2021 Final Dividend declared ²	22.5 cents	22.5 cents

2021 final dividend dates

Record date for determining entitlements to the dividends	20 th September 2021
Latest date for dividend reinvestment plan participation	21 st September 2021
Dividend payable	18 th October 2021

	30 June 2021	30 June 2020	30 June 2020 Restated ³
Net tangible assets backing per ordinary share ⁴	101.8 cents	(138.1 cents)	(140.3 cents)

1. The presentation of adjusted net profit provides a good measure to assess the performance of the Group by excluding COVID-19 Dealer Support Packages, hedge reserve amortization for closed out hedges, fair value revaluations (net of NCI), loss on disposal of subsidiary, M&A and restructure costs, changes in fair value of put option liabilities and deferred consideration, one off tax adjustment, and non-cash acquired intangible amortisation from the reported IFRS measure. This is further detailed in Note 4(b) of the 30 June 2021 Financial Report.

2. The percentage of annual profit after tax distributed through dividends has not changed materially from the prior year however due to the additional shares issued as part of the entitlement offer completed in June, the value per share for the final dividend declared is lower in FY21 compared to FY20.

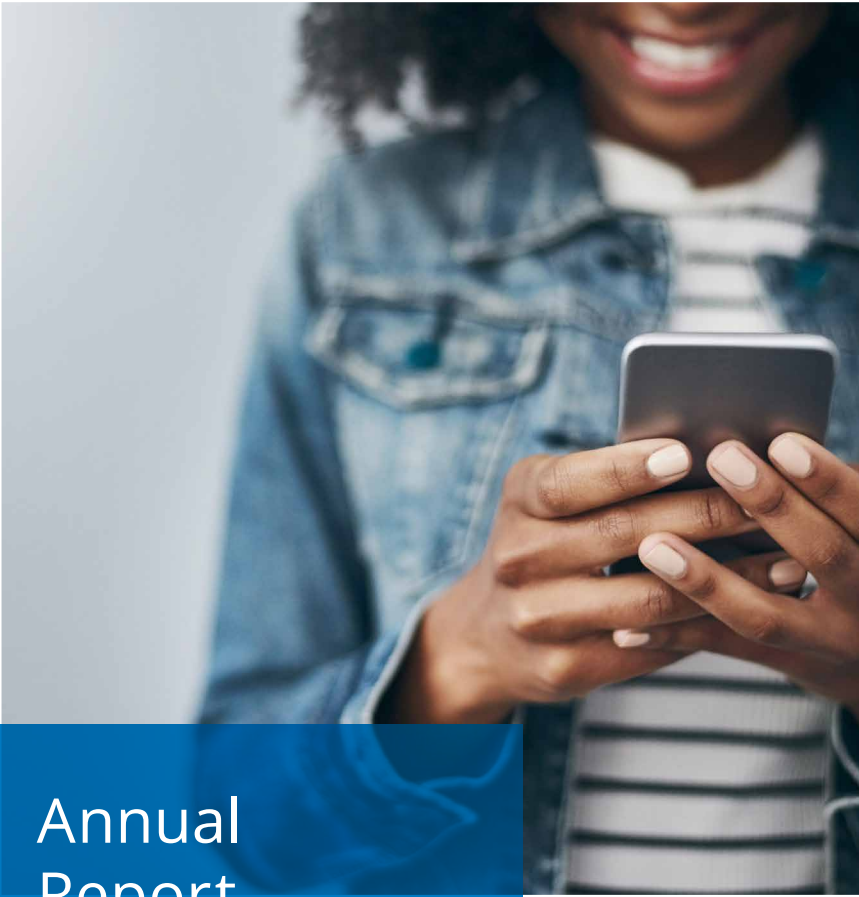
3. Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

4. Net tangible assets exclude all right-of-use assets leased by the Group.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2021 Financial Report.

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Annual
Report
2021



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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 for our customers.

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

OUR OPERATIONAL HIGHLIGHTS

(FY21 METRICS COMPARED TO FY20 UNLESS OTHERWISE STATED)



Group highlights

1.1 billion+

user sessions in all of our markets



Australian highlights

10x

more time spent on site vs no.2 competitor



People highlights

95%

of employees are confident in our response to the COVID-19 pandemic

>36,000

car dealers

>375 million

visits, up 21%

WGEA

Employer of Choice 2015-2021

42 million

leads delivered, up 35%

122%

Increase in Instant Offer transactions

Great Place to Work[®]

certified 2018-2021

6 countries

with leading positions

28%

reduction in time to sell

48 projects

built during our 2020 Hackathon



OUR STRATEGY

Our Purpose

Making buying and selling a great experience

Strategic Pillars

Digital Marketplaces



To grow our leadership in digital classified advertising markets

Value-Added Services



To build a compelling ecosystem of services that support our customers through the buying, selling and ownership of vehicles

Future Horizons



Leveraging consumer insights and emerging industry trends to explore new opportunities

Drivers

Data

To be a data-driven company with unrivalled data and analytics to help customers understand their audience and commercial clients to grow their businesses

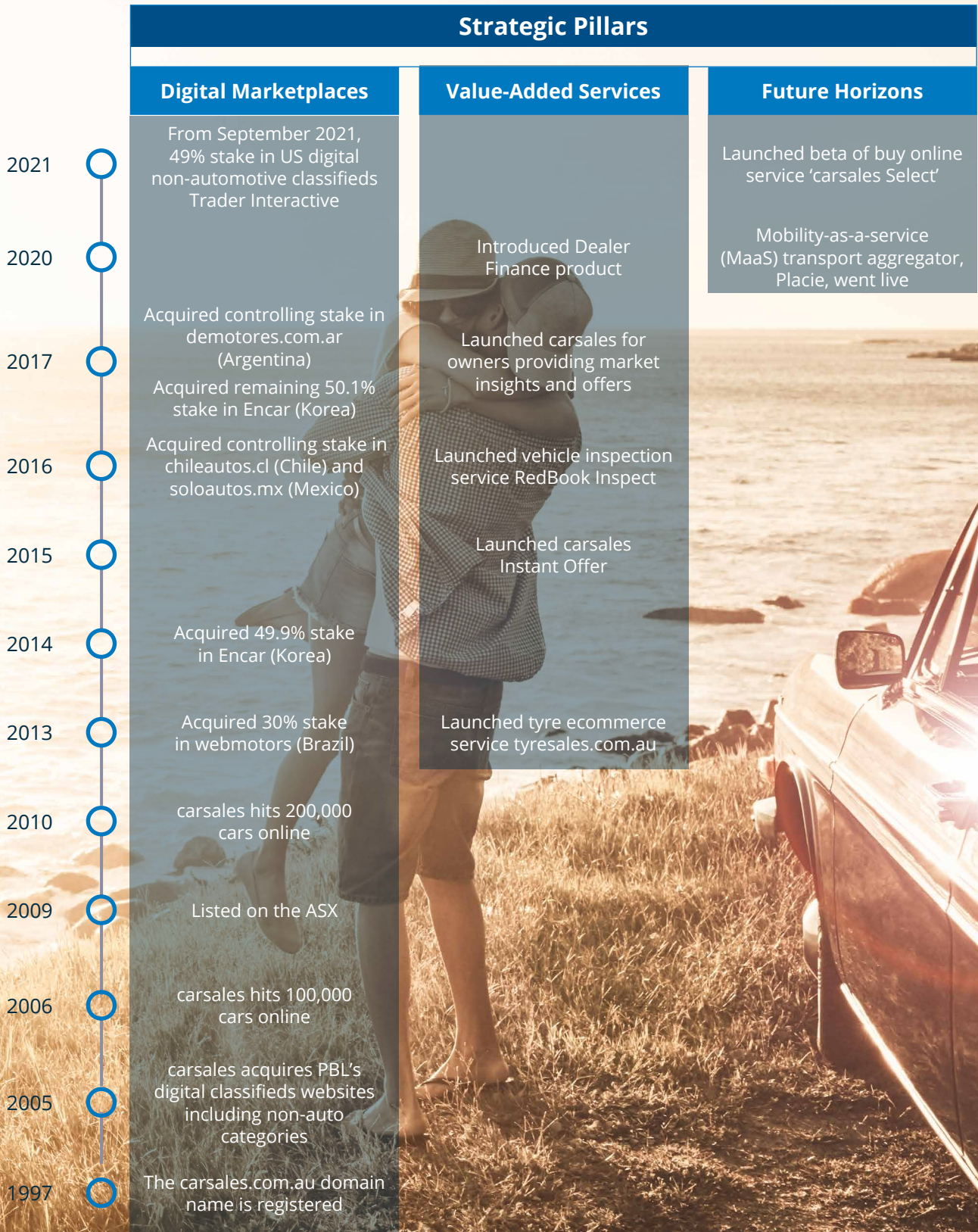
People

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 global platform-based software services that exceed the expectations of our customers and drive continued growth in the carsales business

The evolution of our strategy



CHAIR AND CEO LETTER



Pat O'Sullivan
Non-Executive Chair

Cameron McIntyre
Managing Director
and CEO

The past year has been very challenging for our people, our customers and the community more generally. Nevertheless, FY21 has been a year of great progress for the carsales business. We have continued to deliver on our growth strategy whilst undertaking the transformational Trader Interactive acquisition in North America and executing a significant capital raise.

This has all happened against the backdrop of COVID-19 and whilst this environment has been very challenging for carsales, we are proud of the way we have navigated these challenges. We acted decisively to protect our customers and employees which has left our business in a strong position. Excitingly, the accelerated digitisation in the automotive industry is creating new growth opportunities for carsales which positions us well for FY22 and beyond.

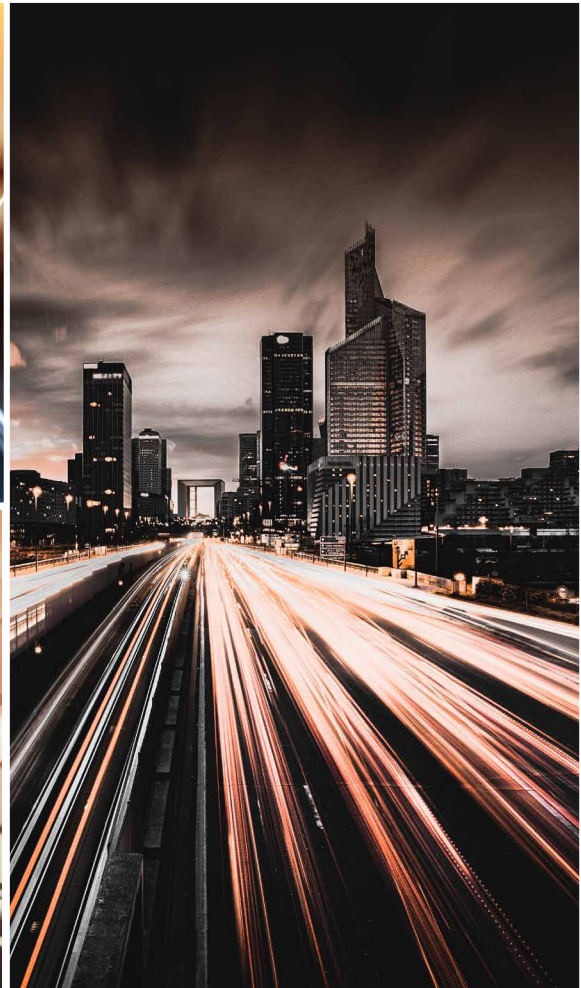
Impact of COVID-19 and carsales' response

COVID-19 has continued to have a significant impact on our consumers and customers throughout FY21. Key business impacts include the following:

- There was a significant COVID-19 outbreak in Victoria where metropolitan dealers were forced to close for almost three months from the start of August 2020 to the end of October 2020;
- Brazil, Chile, Mexico and Argentina have all suffered from high COVID-19 infection rates which has resulted in multiple and prolonged lockdowns across FY21;
- Automotive and non-automotive vehicle inventory levels continue to be impacted by supply chain constraints, primarily due to semi-conductor chip shortages. Inventory levels are expected to be an ongoing challenge for the next 6-12 months; and
- The automotive and non-automotive vehicle industries in Australia and our International markets have been resilient throughout the pandemic, with strong levels of demand observed in all our key markets as consumer preferences evolve.



Accelerated
digitisation
is creating
new growth
opportunities



CHAIR AND CEO LETTER CONTINUED

At the start of the pandemic, carsales adopted three core decision making principles: supporting our customers, protecting our people and driving the long-term objectives of the company. Some of the key responses in the FY21 financial year include:

- Providing \$11m of financial support to our Victorian customers during the August-October lockdown period, bringing our total dealer pandemic support to c.\$39m;
- Smooth transitions from one lockdown to the next whilst maintaining strong employee engagement and productivity, with no redundancy programs;
- Responding to the increasing digitisation of the automotive industry via development of new products; and
- Delivering strong financial results which enabled us to retain our dividend policy to support carsales' shareholders.

Our company purpose and strategy execution

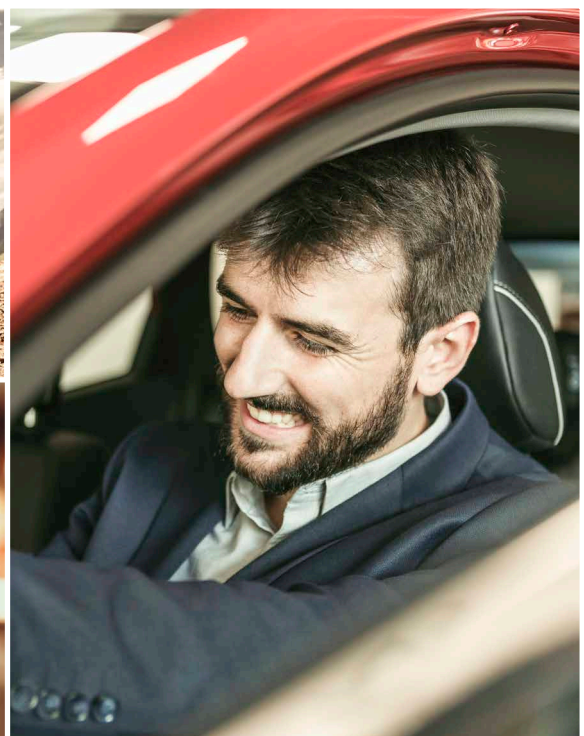
We have spent time throughout the second half of the financial year to review our purpose. It is becoming increasingly important to articulate your reason for being to employees in a simple but meaningful way. We believe our refined purpose of 'making buying and selling a great experience' achieves this and will help the business deliver its strategic goals over the coming years.

We continue to make good progress on executing within our three strategic growth pillars comprising:

- I. Digital marketplaces;
- II. Value-added services; and
- III. Future horizons

We have extended our leadership in our domestic and international digital marketplaces. In the Australian automotive market, we are now generating ~8x the number of website visits compared to our nearest competitor. We have observed a similarly strong performance in our non-automotive vehicle verticals. This is testament to our talented people and ongoing investment in new product and technologies. We are continuing to leverage our strength in these marketplaces to offer value-added services through the buying, selling and ownership journey. We have made good progress developing our finance product, and whilst it is taking a little longer than expected to build scale, we still see excellent long-term opportunity in this market.

From a future horizon perspective, we have launched two exciting new products. Placie is a mobility application, which provides a marketplace for different modes of transport. We have recently launched a beta version of a new digital car buying experience called 'carsales Select', which is addressing the increasing desire of consumers to complete more components of the car buying process online.



Trader Interactive Acquisition and Capital Raising

In May 2021, we entered into an agreement to acquire 49% of Trader Interactive for US\$624m or approximately A\$797m. Trader Interactive is a leading platform of branded marketplaces in the United States, providing digital marketing solutions across the commercial truck, recreational vehicle, powersports and equipment industries. This is a transformational acquisition for carsales as it provides the opportunity to deliver significant value for our shareholders. Trader Interactive is a clear leader in large markets that have upside from both a digital adoption and monetisation perspective. We have already started working with the Trader Interactive team and see a lot of similarities with our successful investments in Korea and Brazil. We anticipate closing the deal in early September and are really looking forward to getting into the business.

We successfully executed a \$600m renounceable entitlement offer to fund the transaction which was very well supported by our retail and institutional shareholders. We chose this structure as it promotes fairness for retail shareholders and it was pleasing to see that we have been able to create value for these shareholders.

Financial Performance and Capital Management

The Group delivered growth across our three primary financial metrics of Adjusted Revenue, Adjusted Earnings Before Interest, Tax and Depreciation and Amortisation (EBITDA) and Adjusted Net Profit After Tax (NPAT), demonstrating the continued strength of our Australian and International businesses. FY21 Adjusted Revenue was up 4% on pcp to \$438m, driven by a resilient performance in our Australian business and excellent growth in our International businesses. Adjusted EBITDA was up 10% to \$254m with EBITDA margins expanding to 58%. The earnings performance reflects the ongoing expansion of core business margins, as the company continues to utilise its operating leverage and exercise strong cost discipline, whilst continuing to invest in key growth projects.

Adjusted NPAT increased 11% to \$153m and the Board has declared a final FY21 dividend of 22.5c per share bringing total dividends paid to shareholders for FY21 to 47.5c per share for the year.

The company has maintained a strong balance sheet throughout FY21 with our net debt to EBITDA leverage ratio being 1.4x prior to the acquisition of Trader Interactive. The acquisition will be partly funded by an increase in debt at the carsales level. We have increased our facility size from \$650m to \$900m which provides us with ongoing funding flexibility post completion of the acquisition. We expect to maintain a

“We successfully executed a \$600m renounceable entitlement offer to fund the transaction which was very well supported by our retail and institutional shareholders.”

strong balance sheet post acquisition with leverage of approximately 2.1x. This strong funding position has also enabled us to retain our existing dividend payout policy of 80% of H2 Adjusted NPAT.

Operational Highlights

Australia

We have continued to grow our Australian business through our ability to continuously innovate and deliver product improvements for consumers, dealers and car manufacturers.

A good illustration of this is the continued development and growth of our 'Instant Offer' selling option for consumers. Instant Offer provides consumers with a convenient and transparent way to sell their vehicle. This product also provides dealers with a key source of used car inventory supply which has been critical in the last twelve months. The number of units sold through Instant Offer has increased by 122% in FY21, a result of continued user improvements, enhancements to our pricing engine, adding more dealers to the platform and expanding the range of cars covered by Instant Offer. We see continued potential over the next few years for this product, particularly given it is digitising the sale of vehicles which is becoming increasingly attractive for consumers.

We have also significantly improved our finance product offering for dealers, which aims to increase finance penetration for dealers in a challenging financial services environment. We now provide flexible finance integration options for dealers with and without exclusive financial services providers. Whilst our inventory coverage isn't where we would like it to be, we have plans in place to significantly expand this product over the next 2-3 years.

Our ability to attract consumers to our network of sites is core to our competitive advantage. Whilst we generate most of our traffic organically, we have significantly improved our search engine visibility over the last twelve months which is bringing more consumers to our marketplaces.

Finally, COVID-19 has accelerated consumers' buying behaviour towards completing more components of the car buying process online. We are focused on helping dealers adapt to these changes by providing an option to sell cars online through carsales Select. This is a key strategic focus area for carsales over the next few years and has the potential to add to our core growth.

International

Whilst the COVID-19 pandemic has been very challenging in many of our international markets, our business fundamentals have remained very strong.

In South Korea, we had another stellar year from a business performance perspective. Our Encar CEO, SB Kim and his executive team have done a wonderful job of managing the business through the COVID-19 pandemic. The key strategic focus areas of the business are to increase the penetration of the Guarantee Inspection, Dealer Direct and Home Delivery products and the business has been successful in growing all three of these in the last twelve months.

In Brazil, the business has had to navigate a volatile COVID-19 environment with very high infection rates. Despite this, webmotors has come through the last twelve months in a very strong position, having increased its market leadership and grown its number of dealer customers. The business has reinstated its regional expansion program which will grow the brand in regions outside of Sao Paulo and Rio over the coming financial year. There is significant long-term financial upside if we execute this plan well.

In the rest of our LATAM markets, COVID-19 infection rates and associated lockdowns have had a more negative impact on activity. Despite this, our businesses remain in good shape and have developed a lot of new products that will be well received once the pandemic is better managed.

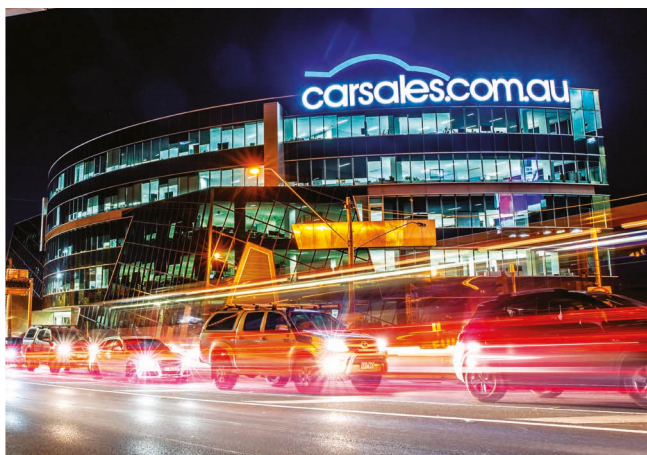
People & Culture and new company behaviours

To drive better performance we must continue to attract, retain and motivate the best people to work with us. We have done a good job in this area in the past year despite a very challenging talent market. We are proud of the way we have stayed connected as a company, particularly given many of our teams have been working remotely. One initiative that has been critical in driving this has been our fortnightly carsales' catch ups, where the executive team provides casual updates to the whole business via an interactive zoom call. We have made a seamless transition from one lockdown to the next. We also spent time reflecting on our culture and the behaviours which have, and will continue to, make our business successful.

Following extensive consultation with our global teams, we codified our 'company behaviours'. These behaviours are:

- I. We change the game
- II. We step in
- III. We own it
- IV. We are curious
- V. We don't take ourselves too seriously

These behaviours now underpin our recruitment, training and reward programs. These behaviours define what makes carsales unique and we think they will help drive our culture and performance going forward.



carsales' focus on environmental and social issues

Diversity and inclusion is very important to carsales as we want all our people to feel valued, respected and have equal access to opportunities. We are a Workplace Gender Equality Agency (WGEA) Employer of Choice and we are passionate about trying to correct the underrepresentation of female representation in technology roles. Moreover, we have recently introduced an additional suite of flexible leave options to support our people in balancing their work and life commitments.

We are dedicated to building a sustainable business that has a strong social conscience. We are focused on reducing carsales' impact on climate change and whilst we are not an intensive emitter of carbon dioxide, this year we have committed to becoming carbon neutral within our Australian operations by the end of FY22. We are also focused on providing the best available information for our consumers to make environmentally friendly vehicle purchases, to support Australia's transition to an electric vehicle future.

Risk management, security and responsible data use

As an online vertical marketplace business, cyber security and protecting customer and consumer data is a critical focus area for carsales. We continue to invest heavily in our security infrastructure to ensure the integrity of our customer data and provide policies, training and education to our employees on responsible data use and cyber security. We can not become complacent in this area and will continue to invest to ensure we keep pace with the changing risk management and security landscape.

Towards a successful FY22

We are incredibly proud of our achievements in FY21 and even more excited about the year ahead. We have a number of exciting projects and products we are working on and we cannot wait to start our journey as an owner of the Trader Interactive business. Thank you to our wonderful carsales people who are responsible for all we have achieved in the last twelve months. And finally, on behalf of the board, thank you to our customers and shareholders for your continued support and we look forward to working with you all in FY22.



Pat O'Sullivan
Non-Executive Chair



Cameron McIntyre
Managing Director and CEO



WHAT WE DO

carsales.com Ltd is the #1 online automotive classifieds business in Australia, with a growing global presence in South Korea and Latin America. carsales also has a market leading position in non-automotive vehicle markets in Australia that connect buyers and sellers of bikes, boats, caravans, trucks and commercial equipment.

We achieve this by using our global technology platform and intellectual property to bring together dealers, consumers and Original Equipment Manufacturers (OEMs) in one environment. Our aim is to make buying and selling a great experience for all of these stakeholders.

OUR MARKETS

carsales built its name in Australia but over the last 9 years we have increasingly become a global player. Our global markets have a combined population of 750 million people and car sales volumes of approximately 25 million per annum. The markets we have entered have been carefully selected based on criteria including macroeconomic attractiveness, digital maturity and automotive market conditions. We leverage our world-class technology and intellectual property to accelerate the growth in these businesses and have a strong track record of delivery.

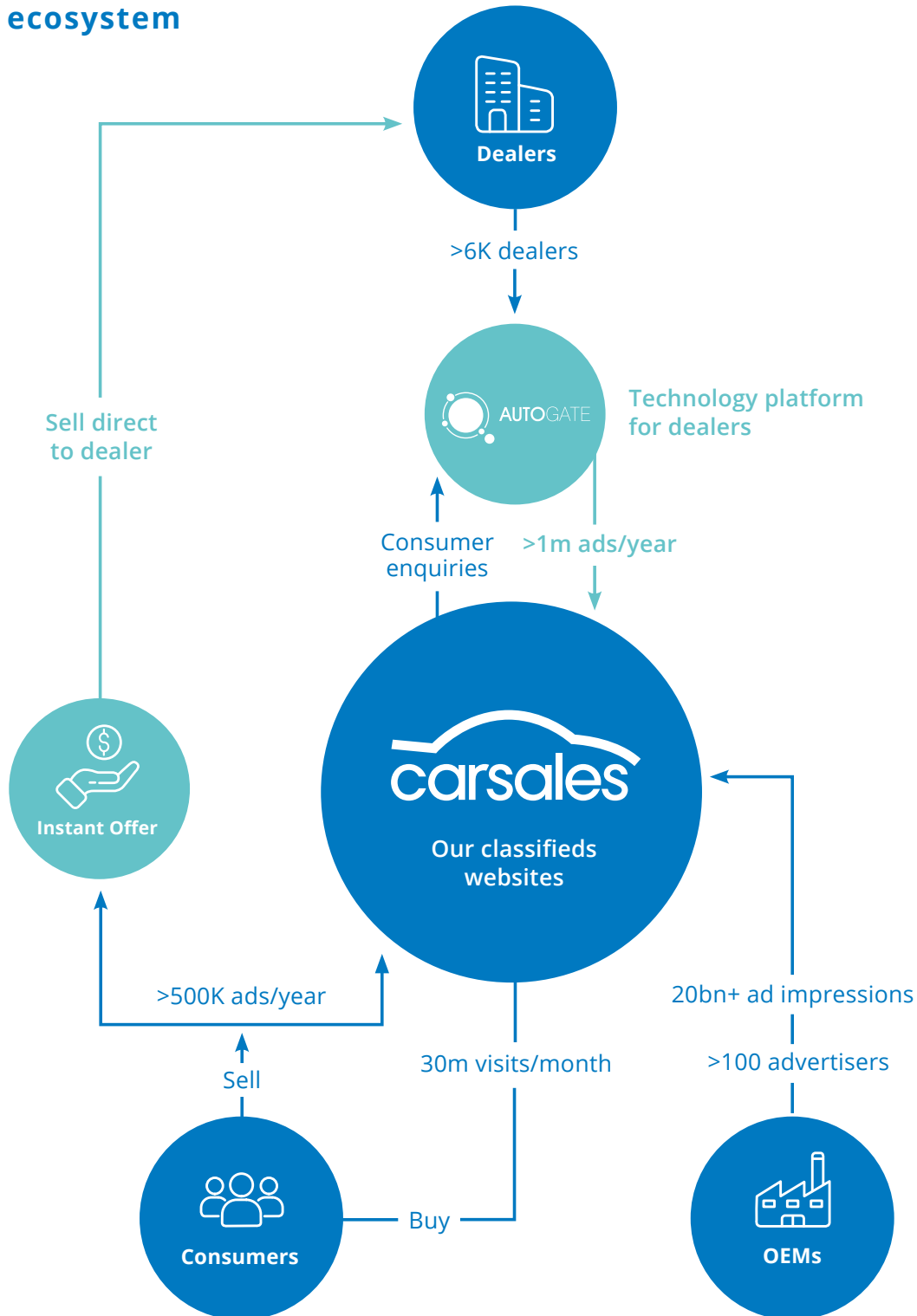
Our recent acquisition of Trader Interactive, has allowed us to deepen our exposure to the very attractive non-automotive vehicle markets in the US including caravans, powersports, trucks and commercial equipment. The acquisition will be completed in early September.



OUR AUSTRALIAN BUSINESS

In Australia, we are market leaders in online classifieds in a number of industries including cars, motorbikes, boats, trucks and commercial equipment.

Our ecosystem





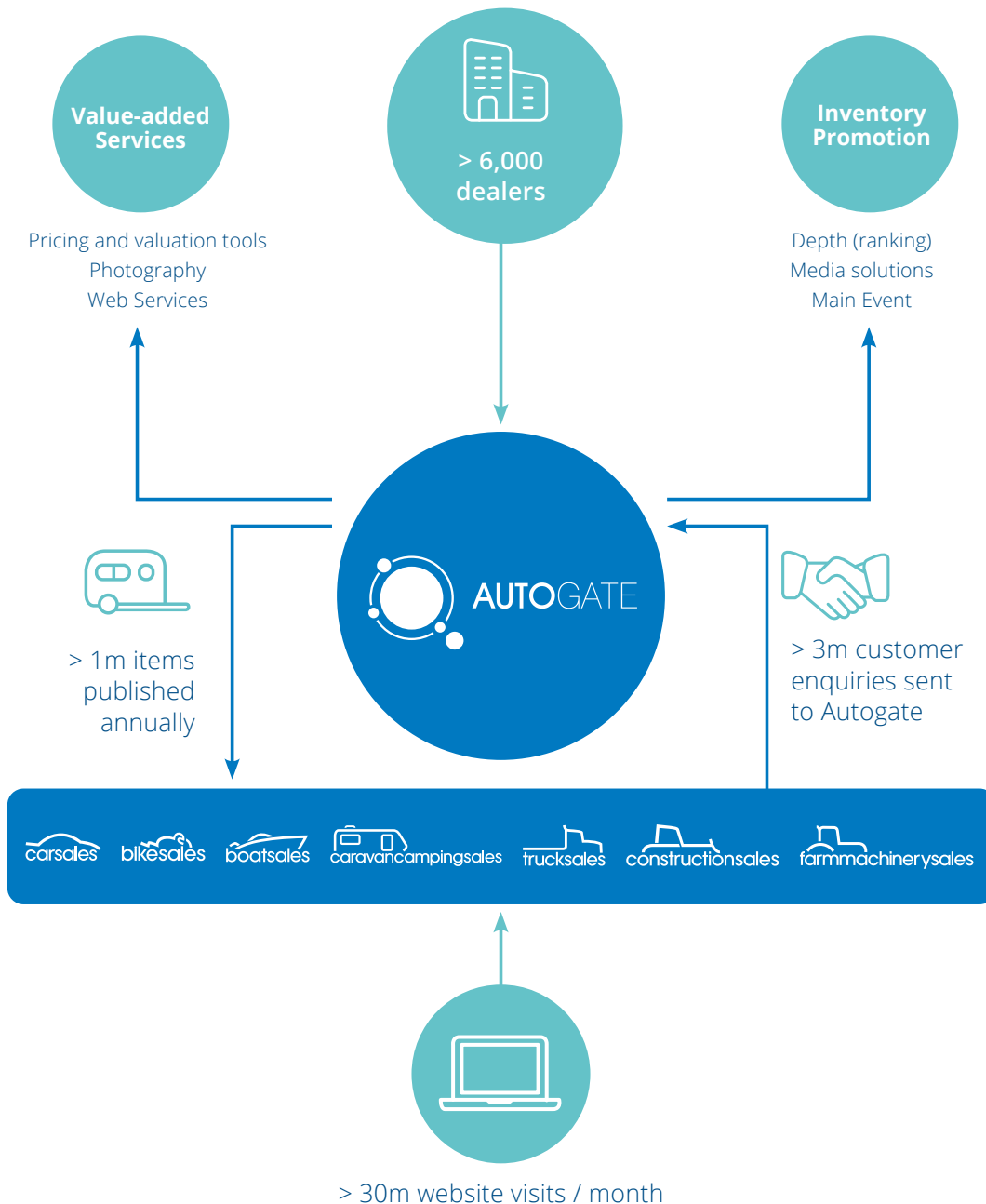
Dealer segment

Our dealers are key stakeholders and a critical part of carsales' success. Our more than 6,000 dealers advertise over 1 million new and used cars per year on which they receive over 3 million enquiries from consumers.

Our proprietary inventory and lead management technology platform called AutoGate, allows dealers to:

- manage, publish and promote inventory items to our network of websites;
- receive and manage enquiries from customers; and
- analyse and understand their market by accessing digital insights and reporting from carsales.

Our dealer community





Private segment

Approximately 5 million consumers visit our network of websites every month – that's ~20% of the Australian population! We aim to make buying and selling a great experience for our consumers.

A private seller on carsales can choose to run the sales process by themselves, utilising our suite of value-added tools including pricing analysis and vehicle inspections. Alternatively, they can sell instantly to dealers through our Instant Offer program which facilitates a quick sale at a transparent price.

Our online tyre sales business, tyresales.com.au, also forms part of the Private segment.

Our private seller platform

Post an ad

Do it yourself

carsales empowers sellers to sell safely, quickly and at the right price
Pay once, and your item is published until sold

Privacy Protect We hide your personal number from buyers	PRICEASSIST We provide tools to help you price your car to sell	FACTS+ Get car info you won't find anywhere else	Redbook INSPECT Build buyer confidence with a vehicle inspection
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carsales **bikesales** **boatsales** **caravancampingsales** **trucksales** **constructionsales** **farmmachineriesales**

OR

Instant Offer

We sell it for you

If you don't have the time to sell your car, we can sell it fast for you
We price the car, our dealer network buys the car

Get your price Enter in your details and answer a few questions to get your official Instant Offer	We collect the car You can drop off your car for free or we'll pick it up for you	Get paid fast Payment is made the next business day, once the car is collected
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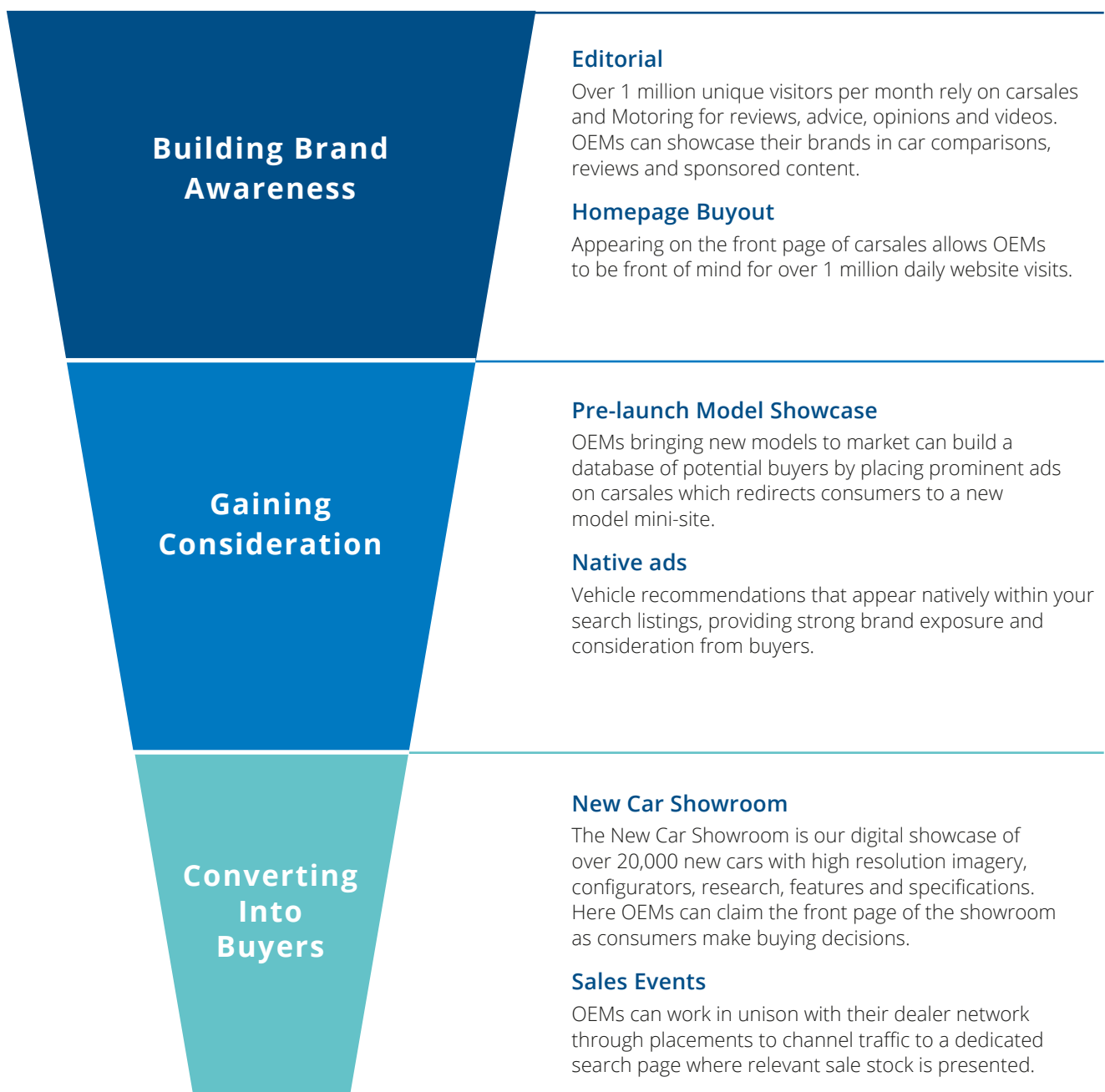


Media segment

The quality and quantity of our audience has made carsales the number one destination to buy new and used cars.

We help our 100+ Original Equipment Manufacturers (OEMs) to achieve their goals by ensuring they're reaching consumers at each stage of the car buying journey. We do this by leveraging our editorial program, our online new car showroom as well as specialised audience targeting in our listings environment.

Our media offering



AUSTRALIAN HIGHLIGHTS

Our marketplace

We delivered strong growth in our operational metrics in FY21.

Our selected key performance indicators outlined below demonstrate the quality of our marketplaces. This enables us to deliver a strong return on investment for all our stakeholders and differentiates us from our competition.



Sessions

375m
on carsales **↑ 21%**

carsales has the largest and most engaged automotive audience. Generating more engaged buyers every year is one of our highest priorities.



Time To Sell

28%
Improvement **↓**

How quickly cars are sold on our website is one of our most important quality metrics as this is critical for our seller customers.



Most Trusted

88%
More than no.2 **↑**

Having the trust of buyers and sellers when using our sites is critical. We invest a lot of time and money to ensure we are the market leader in this area and differentiate ourselves from our competitors.

| INSTANT OFFER

Instant Offer provides a fast, convenient and transparent way for people to sell their car. Consumers can sell their car immediately at a fixed price set by carsales, and drop-off at one of our participating dealers.

FY21 was an excellent year for our Instant Offer service with optimisations improving conversion from quote to transaction by 45%, which helped underpin 122% growth in transactions on pcp.



Instant Offer Transactions

122% **↑**



Online Conversion

45% **↑**

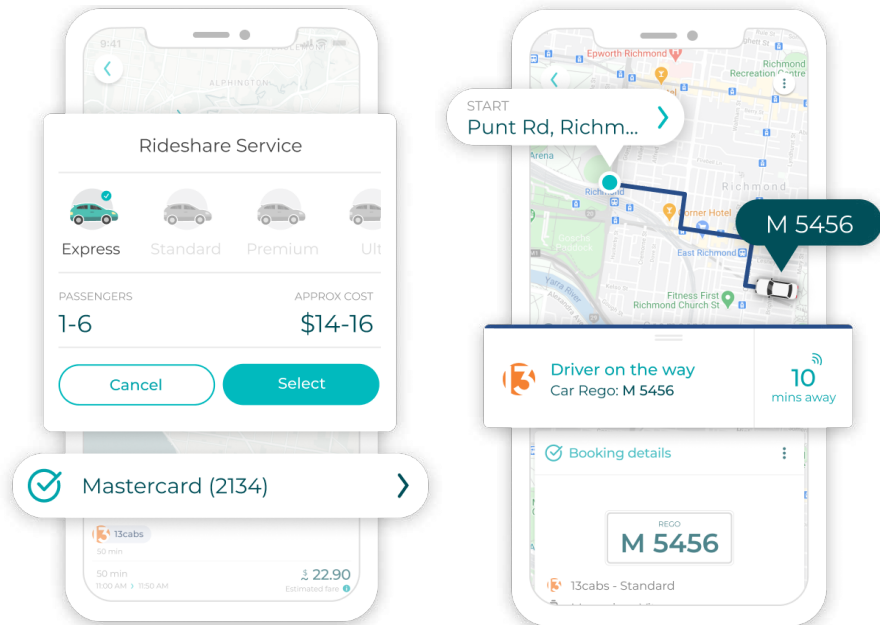
AUSTRALIAN HIGHLIGHTS CONTINUED



Placie Launch

Mobility-as-a-service (‘MaaS’) is an emerging transportation trend which enables users to plan, book and pay for multiple modes of transport. In line with our future horizons strategic pillar, we are proud to have launched Placie in FY21, our own MaaS solution. Placie is an app that helps customers seamlessly combine, compare & book multiple modes of transport.

As a world leader in creating digital marketplaces, we are leveraging our technology and vast audience to drive consumer adoption of Placie and are looking forward to seeing strong progress in FY22.



Digital buying journey

Consumers are increasingly looking to complete more of the car buying process online, a shift which has been expedited by COVID-19. Over the last 12 months we have been developing a new product in Australia to address this trend, ‘carsales Select’, which will facilitate an increasingly seamless online experience for car buyers. The product will be launched in early FY22.

Steps in Digital Purchasing







How carsales is building the digital experience for dealers

The #1 site for new and used cars	Remote Assessment RedBook Inspect Facts +	Dealer finance products Escrow	Valuations Private used classifieds Instant Offer	Dealer delivery badges
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OUR INTERNATIONAL BUSINESSES

We have an international portfolio of market-leading, fast-growing businesses that present a significant long-term growth opportunity

	Asia	North America	Latin America	
	Korea 	United States 	Brazil 	Chile, Mexico, Argentina 
FY21 – REVENUE (\$AM)	\$80m	\$176m*	\$63m	\$7m
FY21 – EBITDA (\$AM)	\$41m	\$92m*	\$28m	(\$1m)

Asia

Korea

- carsales acquired 49% of Encar.com in 2014 and the remaining 51% in 2018.
- Clear market leader in automotive classifieds in South Korea with a strong growth track record over the last 7 years.
- Strategy is to increase the penetration of premium services for dealers, consumers and OEMs. Key growth drivers include the Guaranteed inspection, Dealer Direct and Home Delivery products.

North America*

United States

- carsales acquired 49% of Trader Interactive in May 2021.
- Market leading platform of non-automotive marketplaces across RV, powersports, truck and equipment industries in the US.
- Non-automotive classifieds are less digitally mature than automotive markets meaning the business is well positioned to capture upside from further dealer penetration and monetization across its key verticals.

* Carsales acquired 49% of Trader Interactive in May 2021. The acquisition is expected to settle in September 2021. The revenue and EBITDA numbers above represent 100% of the business and are unaudited.

Latin America

Brazil

- carsales acquired 30% of webmotors in 2013. Partners with Santander Bank.
- No.1 position in the large but competitive Brazil automotive market. Achieved very strong growth over the last 4 years since the major recession in Brazil ended.
- Substantial growth opportunity given the size and immaturity of the market. Key growth drivers include increased dealer and consumer penetration particularly in areas outside Sao Paolo and Rio. Dealer Finance is also a significant revenue opportunity.

Chile, Mexico, Argentina

- We acquired automotive classified assets in these three Latin American markets between 2015-2017.
- Chileautos is a profitable and strong number one player in the Chile market with a strong growth trajectory through increased penetration and monetisation of dealers.
- Mexico and Argentina are earlier stage investments. The focus for these assets is to grow market leadership with longer term monetisation upside.

INTERNATIONAL HIGHLIGHTS

Trust Encar

Another excellent year for Encar, which has been achieved through continued expansion of new products and services

FY21 key highlights

- Outstanding constant currency financial performance with revenue growth of 21% and EBITDA growth of 12%, driven by strong execution on key products:

Dealer Direct

- Encar Dealer Direct is similar to carsales' Instant Offer product, enabling a private seller to efficiently sell their car directly to a dealer at a transparent price
- Increased marketing activity, optimisations in the sales process and app, and an increase in the number of participating dealers all underpinned growth of 178% on pc

Guaranteed cars

- Encar inspects and certifies cars to confirm that a car for sale exists, has no damage to the mainframe of the vehicle and is specified as advertised. This gives the buyer confidence when buying the car
- Achieved a 34% increase in revenue through new dealer acquisition and increased car volumes being inspected

Home Delivery

- Demand for safe, no contact delivery of cars continued to surge through the year due to the pandemic and shifting consumer demand for an entirely online experience
- This contributed to excellent growth in FY21 with revenue up 165% on pc



Visits

258m ↑ 10%



Dealer Direct Transactions

25k+ transactions ↑ 119%



Guaranteed Inspections

280k ↑ 38%



Home Delivery Cars Listed

10,000+

webmotors

webmotors continues leveraging its clear no.1 position by accelerating core transaction volume and expanding add-on services

FY21 key highlights

- webmotors achieved outstanding constant currency financial performance with revenue growth of 16% and EBITDA growth of 25%
- This was underpinned by excellent operating metrics through challenging market conditions, with website visits, leads delivered and dealers subscribed all achieving double digit growth
- Our 'CRM +smart' product, which is the advanced CRM program built in Cockpit attracted 1,500 new paying dealers after all dealers were given complementary access at the beginning of the year
- The contribution from finance revenue continued to grow strongly, up 21% on pcp
- Our media business also attracted new customers, which helped contribute to display revenue growing 70% on pcp
- The moderated regional expansion plan continued and added nearly 2,100 dealers in the country's south, south east and north east regions
- Use of our Home Delivery Product also accelerated, as demand for safe inspections increased



Visits

372m ↑ 15%



Leads

23m ↑ 45%



Dealers

17.2k ↑ 13%



Inventory

300k ↓ 27%

INTERNATIONAL HIGHLIGHTS CONTINUED



Introducing Trader Interactive Acquired in May 2021, completion expected September 2021

Trader Interactive is a leading platform of non-automotive marketplaces, providing digital marketing solutions and services across RV, powersports, truck and equipment industries in the United States

- The Advertising spend in these markets is estimated to be more than \$3bn which is approximately 16 times larger than the Australian non-automotive market and 4 times larger than Australian auto market
- The US non-automotive market is less digitally mature than the US automotive market with the digital share of total marketing investment increasing
- There is a strong strategic fit with carsales' expansion strategy into markets with high growth potential. carsales has a deep knowledge of non-automotive segments given its position as a market-leader in Australia in respect of the caravan, bike and truck industries

Brand Position Summary & Metrics

	RV	Powersports	Trucks	Equipment
Key brands	RV Trader	Cycle Trader	Commercial Truck Trader	EQUIPMENT TRADER
US Market position¹	#1	#1	#2	#2
Monthly visits²	8.0m	7.1m	1.9m	1.4m
Active listings (000)	160	187	470	208
Dealer subscriptions	1,931	1,910	3,000	1,950

Software, Services, Data & Insights

Provides services to enable dealer website customisation, web services, dealer inventory and lead management as well as real-time listing and advertising analytics



1. Position determined by Similarweb monthly visits March-21 v nearest competitor

2. Similarweb monthly visits all brands identified in 'key brands' in March-21

OUR PEOPLE. OUR CULTURE

Maintaining connections and support in a virtual world

Although some of our people have returned to our offices in limited capacity over the past year, many of our teams around the world have continued to work remotely. This has meant that our focus has remained on maintaining a feeling of global connectedness during a time when many have felt isolated.

Our fortnightly carsales Catch Ups have meant that our leadership team have kept everyone connected. In these zoom sessions, the Executive Leadership Team provide casual business updates to the whole Company on a Friday morning. The team have delivered 38 updates this year and have no intention of slowing down.

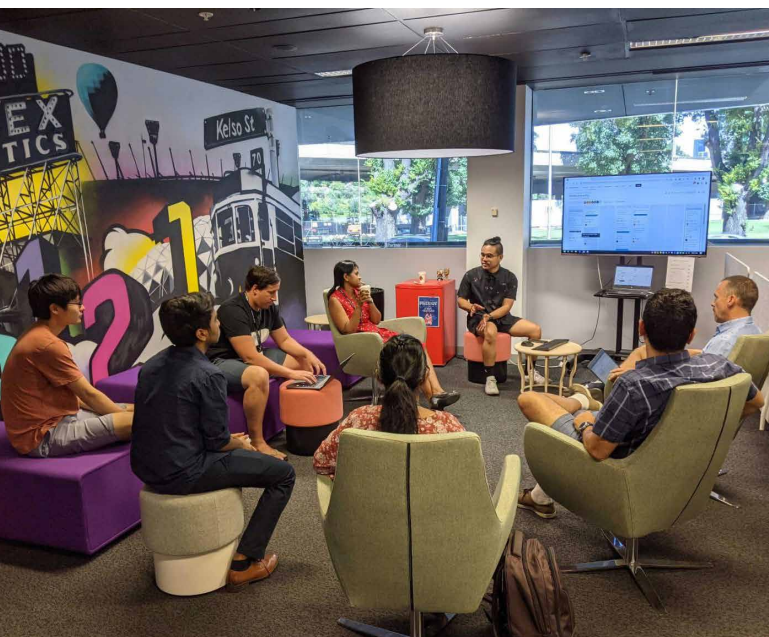
We also knew that our people were missing the informal connections that would usually happen in the office, and we knew that new starters were at risk of missing these key introductory opportunities in their first few months at carsales. So we addressed this by introducing a Slack bot called 'Donut' which randomly pairs people from across the business for a virtual coffee catch up. Donut has helped us all to meet new people, learn more about what they do and make connections with people who we wouldn't necessarily have the chance to interact with regularly – including team members around the globe.

The health and safety of our people has consistently remained our top priority, and with this in mind we moved all elements of our Health and Wellbeing program into a virtual environment – including HIIT and yoga classes over Zoom. We also incorporated additional seminars centred around mindset and mastering emotions to assist our people with navigating their way through this challenging time with increased ease.

Supporting our extensive network of carsales parents – many of whom were tasked with juggling work commitments, homeschooling, and reduced access to childcare and/or family support for extended periods – was another top consideration of ours. To accommodate these challenges, we gave team members additional flexibility and organised KidsCo to run two virtual school holiday programs which provided some much-needed relief to our parents. These school holiday programs usually run in Melbourne only, however this virtual solution allowed us to open this program up to the children of parents who work in our smaller offices around Australia.

In July 2020 we treated all team members to a \$250 gift voucher and an additional day off work to take a break and switch off – which was a small gesture of our thanks and appreciation to all our people during what had been a tumultuous year. We also requested that we all respected 11am-1pm zoom free time and asked everyone to kick off every meeting with a genuine “how are you?”

In our COVID-19 focused pulse survey, results showed that 95% of our people had confidence in carsales response to the pandemic and 92% of our team felt supported by the business. These results reinforced that we had the trust of the team behind us during this time of change. We were also thrilled to be recognised as a Great Place to Work® for the 4th consecutive year, which is testament to our whole team who make carsales the great place that it is.



OUR PEOPLE. OUR CULTURE CONTINUED

A time of change

This past year has seen a shift in how we work and where we work from, but what has been clear to us is that the carsales culture has never been stronger. As we navigated this period of change, we took the opportunity to reflect on what's important to the carsales team, what defines us, and define who we are in this new world of work.

This time of reflection led us to the journey of creating a new set of company behaviours that will underpin all that we do and will set the benchmark to guide us into the future.

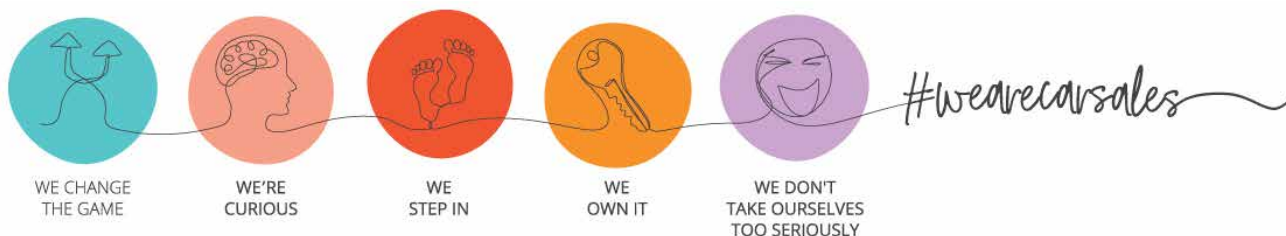
Our new behaviours were developed and launched at the start of 2021 following extensive conversations with our global team. These insights enabled us to hear how our people describe carsales today, what aspirations and traits they want to see more of in our teams, and what behaviours they saw in the people they looked up to and admired within the business. After summarising the feedback, it was clear that everyone wanted the same things – we all want to see the business succeed and we want to see each other succeed.

From there, our new behaviours were created:

1. We change the game
2. We step in
3. We own it
4. We are curious
5. We don't take ourselves too seriously

These new behaviours now underpin our recruitment process, they form part of our induction for new starters to help codify our culture, and we've changed our vernacular when we develop business cases, retrospectives and other business process. All leaders are facilitating a five-part workshop series with their teams, where each workshop deep dives into one of the five behaviours and focuses on a set of activities that give team members the tools to proactively incorporate these behaviours in their day to day tasks and interactions. We've also reimagined our reward and recognition program to recognise those who are living and breathing our behaviours in their day-to-day.

We see these new behaviours as truly reflective of what makes the carsales culture so unique and special, and we look forward to them helping to propel us forward to great future success.



Investing in people development

At carsales We Are Curious – so learning and career development will always be key focus areas for us. Over the past year we have continued our existing programs of work including our performance and career program – Supercharge, Mentor and Buddy programs, Expert Series and regular professional development workshops.

This year also saw the introduction of a new development series for our managers called Leadership in a Virtual World. These sessions were designed to support our people managers with strategies to manage and develop successful teams in the new world of work, focusing on practical skills to help them motivate, manage mindset, and provide feedback and coaching during times of change.

Our annual hackathon also went virtual this year with 227 team members around the world working on 48 different projects across the three days. The theme for Virtual Hack was centred around how we can support our customers, partners and ourselves in the new virtual world. We are passionate about hackathons because they bring our people together to collaborate with people outside of their immediate teams to innovate, experiment with new ideas and learn. An added benefit is that over half the ideas and concepts developed during hackathons end up contributing to product innovation for our customers.

<p>356</p> <p>team members attended 31 health and wellbeing activity sessions</p>	<p>149</p> <p>managers completed workplace flexibility & gender equality training</p>	<p>202</p> <p>team members completed Unconscious Bias training</p>	<p>118</p> <p>mentors and mentees across two Mentor Program intakes – 42% female participation</p>
<p>604</p> <p>team members attended 27 bespoke professional development workshops</p>	<p>129</p> <p>new starters across the carsales group</p>	<p>750</p> <p>graduate program applications</p>	<p>Virtual Hack</p> <p>48 projects, 227 participants</p>

The end of 2020 saw us announce four members of the carsales team as recipients of our annual CEO Scholarship – two from Australia and two from Chile. The CEO scholarship is open to all team members globally and is an opportunity to receive a grant to undertake personal or professional development of their choice. Our 2020 winners will be undertaking a wide range of learning opportunities including English language courses, marketing and e-commerce courses, and Certified Information Privacy Professional qualifications.

In early 2021 we welcomed our fourth cohort of Technology and Data graduates into the business. Our graduate program has gone from strength to strength, and this is largely thanks to the support of so many people within the business who see the value of the program and are invested in the development of these graduates as the future of carsales. We were pleased to see all our 2020 graduates take on permanent roles within carsales at the conclusion of their 18-month graduate program.

OUR PEOPLE
OUR CULTURE



When joining carsales as part of the 2021 Graduate Program, I should not have been surprised that we were plunged into another lockdown and as a result our first days joining in the business ended up being virtual. Whilst disappointed not to be meeting the other graduates and my team in person, carsales did a wonderful job to quickly pivot, ensuring we had all our work resources (including snacks) in preparation for day one. Even with a modified remote start to the program, we were still introduced to all things carsales and enjoyed a 'virtual lunch' with the 2020 graduates, made complete with our Uber Eats and conversation over Zoom.

When the time came to return to the office it was exciting to meet everyone in person, see the office for the first time, find our way around and establish our roles within our teams. It has been great to get involved with our teams, develop our skills, lead meetings and participate in extra events like the Hackathon, table tennis tournament, Mentor Program and the 2022 Graduate Intake Assessment Day. Everyone at carsales has been welcoming, supportive and interested in getting to know us. It has been a great journey so far and I look forward to what is yet to come.

— Rebecca Woff, 2021 Data graduate

OUR PEOPLE. OUR CULTURE CONTINUED



Diversity, Equity and Inclusion

FY21 has seen us continue to foster an inclusive work environment, where all our people feel valued, respected and have equal access to opportunities. We embrace and celebrate all the diverse qualities of our team – whether that be their age, gender, ethnicity, religious beliefs, relationship status, disability and/or physical ability, sexual orientation, gender identity, diversity of thought, or knowledge and skillset. These diverse characteristics not only give us a wide range of perspectives and innovative ideas, but they more accurately represent our diverse customer base – which helps to drive our business success.

Achieving gender diversity is something we are passionate about, particularly given the underrepresentation of females in the technology and automotive industries. We are thrilled to have reached our target of achieving 40% female representation at the Senior Leadership Team

level this year, and to have retained our WGEA Employer of Choice citation for another year. Our CEO, Cameron McIntyre, has continued to lead our efforts in this space by being a WGEA Pay Equity Ambassador and board member for Inclusive Australia.

In addition, we continue to be recognised as a Breastfeeding Friendly Workplace and a business that is inclusive and welcoming of the LGBTIQ+ community via the Welcome Here Project.

Our team continued to celebrate events such as International Women's Day with journalist and proud Wiradjuri woman, Rae Johnston, as our guest speaker – who is a leading commentator on all things technology, science and pop culture. We also welcomed Nicholas Steepe from The Pinnacle Foundation as our guest speaker for International Day Against Homophobia, Biphobia, Interphobia and Transphobia.





Women in Tech

Despite the challenges that 2020/21 presented, the Women In Tech group continued to connect and learn throughout the year. We started this by getting together for virtual lunch and learn sessions with members of our Executive Leadership Team who shared their career journeys with the group and leadership insights. The ability to connect virtually throughout the year meant we were also able to spend more time getting to know the members of our international Women In Tech group located in Latin America.

2020 also provided us the opportunity to participate in the virtual Go Girl, Go For IT event. Over 800 girls registered from around Australia and logged in from home or school to enjoy a full day of speakers and workshops. Our team put together two presentations, 'A Day in Tech' and 'What is an API' and enjoyed the opportunity to interact with students of all ages and share their passion for tech.

In 2021 we have regrouped (in person) and refocused our efforts. We started the year with a 'Deep Dive into Data' at carsales which was presented by members of the group who work in this space. We then moved onto learning more about our SEO and Search strategy. These learning sessions gave our group members the opportunity to grow their presentation skills in a safe space. The highlight of 2021 so far has been finally being able to get together for an in-person networking event and socialising over lunch.

Looking ahead we have a full program of work involving mentoring, lunch and learn sessions and presenting at the 2021 Go Girl, Go For IT event.

This year has also seen the introduction of an additional suite of flexible leave options to support our people in balancing their work and life commitments. These include:

- Increasing our primary caregivers leave from 16 to 18 weeks;
- Increasing our secondary caregivers leave from two to four weeks;
- Six weeks paid Gender Transition Leave – available to anyone who is affirming, has affirmed or seeking to affirm their gender;
- Public holiday swaps – allowing employees to swap a gazetted public holiday for a day that has more cultural or religious significance to them based on their personal beliefs; and
- The introduction of formal paid study leave options and unpaid career breaks.

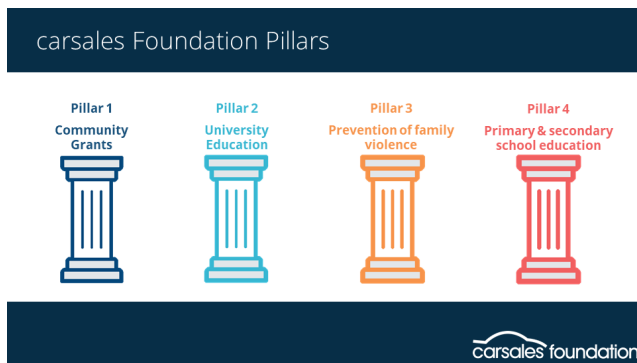
We were honoured to see that our efforts to support the cause of encouraging more women to pursue a career in technology was recognised in the 2020 Women Leading Tech awards, where we were a finalist in the Advocacy category.



Community

COVID-19 has not stopped us from being active within the community and giving back:

- The carsales Foundation provided \$3,500 worth of community grants to charities nominated by our team members – including Movember, Whitelion Youth Agency, Rizeup, MS Australia and Act for Peace.



CS in Schools

This year we were thrilled to once again partner with CS in Schools, whose mission is to create sustainable change in Australian digital technical education. CS in Schools provide a complete DigiTech pathway for secondary students and develop teacher confidence in relation to delivering digital technology classes.

Having partnered with CS in Schools last year to develop a pipeline of students with coding skills, the next opportunity for us was to provide students with a real-world problem to solve. We did this by providing a data set to students and asking them to build a pricing model. Students spent the first half of the year working with this real-life industry challenge and are preparing for the opportunity to come in and present their projects to our teams for feedback.

- We continued our mission to increase the number of young Australians interested in pursuing a career in Technology by partnering with CS in Schools for a second year to develop a pipeline of students with coding skills.
- We donated laptops to CoderDojo WA – a volunteer led, community-based computer programming club that teaches digital literacy skills to young Australians.
- We sponsored a second female student to undertake a degree in Computer Science and Information Technology at Swinburne University through our carsales Foundation Women in IT scholarship.
- Our partnership with The Smith Family saw us sponsor seven school children around Australia through the Learning for Life program and raise \$3,890 for their 2020 Christmas Appeal.
- We continued to support the Monash University IT Faculty with many of our Tech team mentoring their postgraduate students and providing advice and guidance around their capstone projects.
- We partnered with not-for-profit CareerSeekers to provide internship opportunities to refugees and people seeking asylum, allowing them to develop technical and software development skills, as well as soft skills.



DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group or carsales) consisting of carsales.com Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2021 (FY21).

Operational and Financial Review

Principal Activities

carsales is the leading digital automotive and non-automotive vehicle marketplace in Australia, with a growing global presence in Asia, Latin America and North America. We are the go-to place to buy and sell cars, bikes, boats, trucks, caravans and much more across our network of sites.

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

Australia – Online Advertising Services

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

- Classified advertising allows our private and dealer customers to advertise automotive and non-automotive goods and services for sale across the carsales network. This segment includes products such as subscriptions, lead fees, listing fees and priority placement services (depth products).
- Display advertising involves carsales' corporate customers, such as automotive manufacturers and finance companies, placing display advertising for their brand or vehicle on carsales' websites. These advertisements typically display the product or service offerings of the corporate advertiser as banner advertisements, video content or other sponsored links.
- Online advertising includes carsales' investments in tyresales.com.au and RedBook Inspect. tyresales.com.au is an online tyre retailer whilst RedBook Inspect provides inspection services, which may be published online as part of classified advertisements.

Australia – Data, Research and Services

This segment comprises a diverse range of solutions for our customers including software as a service, research and reporting, valuations, appraisals, website development and hosting and photography services.

International

carsales has multiple operations in overseas countries through subsidiaries, equity accounted associate investments and available-for-sale financial assets as set out below (subsidiaries unless otherwise stated):

carsales Asia

- South Korea – Encar.com. This is our major business in this segment. Encar.com is the market leading digital automotive classified business in South Korea (100% owned).
- South East Asia – iCar Asia Limited. iCar Asia is the leading online automotive portal in South East Asia with operations in Indonesia, Malaysia and Thailand (11.4% owned, held as a financial asset).
- Redbook Asia – provides automotive data services in New Zealand, Malaysia, Thailand and China (100% owned).

carsales Latin America

carsales operates digital automotive marketplaces in Brazil, Mexico, Chile and Argentina. carsales owns 30% of webmotors S.A., our operating entity in Brazil and equity accounts this interest accordingly. carsales owns 100% of its operating entities in Mexico, Chile and Argentina.

Financial Asset Investments

In addition, the Group has investment stakes in Plenti Group Ltd, PromisePay Pte Ltd and MX51 Group Pty Ltd, all of which are accounted for as financial asset investments. These three businesses 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, and 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 2020 that it had sold Stratton Finance Pty Ltd.

DIRECTORS' REPORT CONTINUED

Review of Results and Operations

	\$A Millions		Growth	
	FY20	FY21	\$'s	%
Adjusted Revenue	421.6	437.8	16.2	4%
Total operating expenses	189.8	183.6	6.2	3%
Adjusted EBITDA	231.8	254.2	22.4	10%
EBITDA margin	55.0%	58.1%	-	-
Depreciation & amortisation	28.2	31.9	(3.7)	(13%)
EBIT	203.6	222.3	18.7	9%
Net finance costs	14.3	13.9	0.4	3%
Profit Before Tax	189.2	208.4	19.2	10%
Income tax expense	56.4	59.4	(3.0)	(5%)
Profits from associates	4.7	4.3	(0.3)	(7%)
Non-controlling interests (NCI)	0.7	(0.5)	(1.2)	(171%)
Adjusted NPAT	138.2	152.8	14.6	11%
Adjusted Earnings per share (cents)	56.4	61.5	5.1	9%
Final Dividend per share (cents)	25.0	22.5	(2.5)	(10%)

Summary of Reported Results

Reported Revenue	394.1	427.2	33.1	8%
Reported EBITDA	202.0	241.5	39.5	20%
Reported NPAT	119.9	130.7	10.8	9%
Reported Earnings per share (cents)	48.9	52.6	3.7	8%

Financial Summary

In FY21, the Group achieved Reported Revenue growth of 8%, Reported EBITDA growth of 20% and Reported Net Profit After Tax (Reported NPAT) growth of 9% compared to the year ended 30 June 2020 (FY20 or the prior comparative period (pcp)). In FY21, the Group achieved Adjusted Revenue growth of 4%, Adjusted EBITDA growth of 10% and Adjusted Net Profit After Tax (Adjusted NPAT) growth of 11% compared to FY20.

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 Revenue', 'adjusted EBITDA', 'adjusted net profit' and 'adjusted earnings per share' provides a very good measure to assess the performance of the Group by excluding certain non-recurring or non-cash items relating to rebates, 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 4.

Key drivers

Adjusted Revenue growth of 4% reflects the continued strength of the Group's operating model in a challenging macro environment. Adjusted EBITDA growth of 10% reflects this solid revenue performance combined with a good balance of investing in key strategic growth areas while sensibly managing discretionary costs. Adjusted NPAT was up 11% which primarily reflects lower interest costs as a result of a reduced average debt balance.

Impact of COVID-19 on our operating environment

During FY20, the outbreak of the COVID-19 global pandemic had a significant impact on the global automotive industry globally. This has continued in FY21 with the largest impact to the Group experienced in the state of Victoria in Australia, where there was an extended severe lockdown from 9 July to 28 October 2020. In support of our impacted trade customers, carsales waived all its fixed and variable advertising charges for Victorian dealers during the period their retail operations were closed. As infection rates declined, social distancing

measures eased and retail reopened in Victoria, we have observed a strong recovery in transaction activity in the Victorian automotive industry. In South Korea, our Encar business has performed very well throughout FY21 and has not been significantly impacted by COVID-19, with the spread of the virus relatively well controlled there. Whilst infection rates in the LATAM region have been high across FY21, our operations in Brazil, Mexico, Chile and Argentina have all demonstrated a resilient performance in this environment.

Segment Review

	\$A Millions		Growth	
	FY20	FY21	\$'s	%
Adjusted Revenue				
Online Advertising	296.7	304.0	7.3	2%
Dealer	168.7	178.1	9.4	6%
Private	77.8	78.5	0.6	1%
Media	50.2	47.5	(2.7)	(5%)
Data, Research and Services	43.3	42.8	(0.5)	(1%)
Asia	74.0	84.3	10.3	14%
Latin America	7.6	6.7	(0.9)	(12%)
Adjusted Revenue	421.6	437.8	16.2	4%
Adjusted EBITDA				
Online Advertising	168.2	183.3	15.1	9%
Data, Research and Services	27.5	28.6	1.1	4%
Asia	40.7	43.1	2.4	6%
Latin America	(4.7)	(0.8)	3.9	83%
Adjusted EBITDA	231.8	254.2	22.3	10%
EBITDA Margin	55%	58%	-	3%

Online Advertising Services

- Overall Adjusted Revenue for the segment was up 2%, reflecting growth in our Dealer and Private businesses, partially offset by a decline in our Media business, with more detail on each area provided below. Adjusted EBITDA growth of 9% reflects the impact of prudent cost management throughout the year, despite continued investment in key growth projects. The Adjusted EBITDA result includes a ~\$6m wage subsidy provided to carsales via the JobKeeper program.
- Dealer Adjusted Revenue was up 6% on pcp to \$178m reflecting both solid growth in revenue from traditional transactional revenue products (particularly lead volumes) as well as a resilient result for premium listing and depth products. Lead volume growth was driven by multiple factors including a resilient used car market, growing our audience share, and likely changes in car buying behaviour due to COVID-19. Reported revenue was 16% higher than pcp, with the difference between Adjusted and Reported Revenue being the \$11m in dealer rebates provided to our Victorian customers throughout August and September.
- Private revenue was up 1% on pcp to \$78m reflecting solid growth in private advertisements and increasing penetration of our Instant Offer product. This was partly mitigated by lower inspection and tyre sales volumes, particularly in the second half of the year.
- Media revenue was down 5% to \$47m which largely reflected challenging market conditions in the automotive advertising market particularly in the first half of the year. Whilst new car sales volumes continue to improve, OEM spend on advertising has been slower to recover. Nevertheless, media revenue grew 13% on pcp in H2 reflecting the Group's improved native and video product portfolio which leaves the business in a good position as the advertising market continues to recover.

Data, Research and Services

Data, Research and Services revenue was down 1%. Revenue growth was impacted by the intentional exit of our lower margin warranty product. Underlying revenue growth was 2% excluding this impact, reflecting the underlying resilience of this segment and strength of our data value proposition. Adjusted EBITDA was up 4% on pcp reflecting continued prudent cost management and operating cost leverage.

carsales International

carsales Asia

carsales Asia revenue was up 14% to \$84m primarily reflecting the performance of the Encar.com business in South Korea. Local currency revenue growth of 21% in South Korea was driven by the increased uptake of the Guarantee vehicle inspection service, the growth in vehicles listed on the site, attaining additional share of media spend of OEM customers and increasing penetration of the Dealer Direct (Instant Offer) product. Lower growth in Adjusted EBITDA of 6% reflects growth in underlying margins, offset by brand marketing investment in the online trade in market which should deliver long-term shareholder value. Growth was also impacted by the appreciation of the AUD.

carsales Latin America

The Company holds controlling interests in online automotive advertising companies operating in Mexico, Chile and Argentina. Combined constant currency revenue growth of 3% in the region reflects solid growth in Chile, a flat result in Mexico and declines in Argentina. Revenue growth rates in all countries have been impacted by the high infection rates from COVID-19 and the impact of the associated social distancing measures in the LATAM region. Adjusted EBITDA losses reduced in the region to \$1m in FY21 reflecting strong cost control across the period.

The Group's largest investment in the Latin America region is in Brazil (webmotors) where the Group owns a 30% stake in webmotors – the revenue performance of this business is not included in the consolidated results as it is equity accounted. In FY21, webmotors recorded strong underlying revenue growth of 15% on pcp reflecting the continued expansion of dealer numbers and website traffic as well as an increasing contribution from finance revenues.

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.

This 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 FY21 Corporate Governance Statement addresses the recommendations contained in the fourth edition of the ASX Principles and Recommendations and is available on our website at <https://shareholder.carsales.com.au/governance/>.

SUSTAINABILITY REPORT

At carsales, we take our ability to have a positive impact on society extremely seriously.

carsales is pleased that many of its shareholders are interested to learn more about the Company's approach to governance, and its social and environmental impact. To this end, carsales has published its 2021 Sustainability Report, available on our Corporate Governance page of our investor website at <https://shareholder.carsales.com.au/governance/>.

This report outlines the Company's approach to assessing, mitigating and managing a range of social, environmental and governance ESG risks, which is overseen by the Company's Board and managed by the carsales' Executive Leadership Team. It includes the considerable work we do to identify potential risks to the Company and implement detailed plans to protect shareholders' interests. It also provides insight into our unique culture, how we attract and retain the very best talent, and seek to have a positive impact on our industry and community. Finally, while we have a low environmental impact as an online business, it addresses the Company's environmental efforts.



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 is currently a Non-Executive Director of Afterpay Limited, Technology One Limited and Little Company of Mary Health Care Limited.

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 Fellow Certified Practising Accountant (FCPA).

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, and has more than 25 years' experience in various marketing and media executive positions within companies such as Southern Star Entertainment, the Nine Network, PBL and Ninemsn. Kim is a Non-Executive Director of Marley Spoon Inc, InfoMedia Ltd, InvoCare Limited and the Sax Institute.

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



Edwina Gilbert

Non-Executive Director

Edwina holds a Bachelor of Laws and Bachelor of Arts from Sydney University, practising commercial law before transitioning into the automotive industry. Edwina has worked in the automotive industry since 2003 as Managing Director until 2020 and is currently the Executive Chair of the Phil Gilbert Motor Group, overseeing strategic direction of Dealerships who employ 185 staff, comprising three brands in two Sydney locations as well as overseeing the entities property portfolio. Edwina has held numerous Industry Advisory positions including NSW Chair of the Hyundai Dealer Council 2010-15, and now the National AMDC Hyundai representative, as well as Toyota sub-committee representation including Toyota Retail Talent and Toyota Fleet of the Future. She is also an Advisory Board member of Till Payments.

Edwina brings significant OEM knowledge along with executive experience operating Dealerships with a digital first marketing approach and has deep people and culture operational acumen.



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 has over 25 years' experience as a partner of PwC, including 5 years as the Chief Operating Officer of PwC Assurance where he was responsible for managing the firm's largest business unit, and 5 years practicing in the firm's Indonesian office, where in addition to his responsibility as an audit partner he was responsible for the firm's IT platform.

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.

David is currently a Non-executive Director of oOh!Media Ltd and Life 360 Inc.

In addition to his outstanding financial credentials, David brings strong commercial acumen to the Board, derived from his extensive experience at PwC and board roles at Vocus, Life360 and more recently oOh!Media.



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 PEOPLE AND CULTURE CHAIR'S MESSAGE

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2021 (FY21).

The Board's focus remains on taking a remuneration approach that enables us to attract, motivate and retain the best talent that is aligned to long-term shareholder value creation. Whilst this year has again seen uncertainty from the ongoing effects of the COVID-19 pandemic, the Company has adapted well, which is reflected in the strong FY21 performance. The Executive team has outperformed on all agreed priorities in FY21, whilst providing a continued focus on employees, the business, customers, shareholders and the industry.

The business has again delivered strong outcomes for shareholders this financial year, which includes maintaining our attractive dividend policy. This continues to reflect the Board's belief in the long-term performance potential of the company and the need for consistency and maximisation of shareholder returns. Our commitment to delivering value to our shareholders was demonstrated by the business adopting a renounceable entitlement offer (PAITREO) to fund the recent 49% acquisition of Trader Interactive in the United States. The Board felt that this structure to raise capital was the fairest for both our retail and our institutional shareholders and we were pleased with the outcomes achieved for all shareholders as a result of this process.

Our customers have faced continued challenges from the impacts of the COVID-19 pandemic, including extensive lockdown periods, primarily impacting our Victorian dealers. In FY21, we again delivered on our commitment to supporting our dealer customers by providing three-month rebates to Victorian dealers during the August to October lockdown, extended credit terms, as well as access to the Company's Employee Assistance Program counselling services. We also delivered regular customer webinars to provide insights into the industry and trends.

This was a very strong support package for our customers across FY21 and in total the financial contribution was \$11m. Across FY20 and FY21, the Company has provided c.\$39m in support to our dealer customers. Despite the financial challenge it created for the business, the Executive team believed that it was the right thing to do to improve the dealer network's long-term viability during such extensive lockdown periods. Pleasingly, the response from our customers has further enhanced our market leadership, as well as built additional goodwill and loyalty, which will support long-term shareholder value.

The Company's culture has remained strong again this year recognised as a Workforce Gender Equality Agency Employer of Choice and a certified Great Place to Work® in Australia. Our engagement levels across the business have remained strong. Given the challenges faced throughout the year impacting the Company's business operating rhythm and physical work environments, the Board was pleased with the Executive team's consistent visibility throughout the Company's global business, setting an exemplary standard of leadership. A key focus this year for the team was on communication, collaboration, culture and learning with many new ways of working successfully introduced across the business.

Company performance

The Company has produced strong results in FY21, summarised as follows:

- 8% Reported revenue growth, 20% reported EBITDA growth and 9% NPAT growth.
- 11% Look through revenue growth and 20% EBITDA growth on a constant currency basis.
- 61.5 cents adjusted earnings per share (EPS) from continuing operations, up 9% compared to the prior year.
- 18% TSR in FY21.

Executive KMP Remuneration Outcomes

The FY21 remuneration outcomes reflect actual performance outcomes for the year. No discretion has been applied by the Board. The Board undertook a well-considered approach to remuneration outcomes to ensure that the business, shareholder and Executive KMP outcomes are appropriately aligned.

When deliberating performance and associated remuneration outcomes, for both the FY21 STI and FY19-21 LTI, the Board made the decision to back out the value of all JobKeeper wage subsidy payments that were received by the Company in FY21.

Below is a summary of Fixed Remuneration, STI and LTI outcomes:

FY21 Fixed Remuneration

- Managing Director & Chief Executive Officer received an increase in fixed remuneration of 5.6% and Chief Financial Officer received an increase of 28.6%, reflecting strong performance and better market alignment.

FY21 STI

- Financial (70% of the plan) – The Company has delivered a strong result for shareholders, exceeding target for both look through EBITDA and look through revenue, resulting in a 100% payment outcome.
- Strategic (30% of the plan) – A measured scorecard outcome of 100% for the three strategic objectives of the plan was achieved.
- A total payout outcome of 100% was achieved compared to an FY20 STI payout outcome of 28%.

FY19-21 LTI

- Financial (70% of the plan) – The Company did not achieve the threshold financial targets of the FY19-21 plan, as such no Performance Rights have vested. The COVID support payments provided to Dealers were the main reason that these targets were missed.
- Strategic (30% of the plan) – A measured scorecard outcome of 100% for the strategic objectives of the plan was achieved and as such 100% of Options under the plan have vested.
- A total vested outcome of 30% was achieved compared to an FY18-20 outcome of 76%.

When assessing strategic objectives in both the LTI and STI plans, the Board uses a scorecard of three key measures: on-time delivery, on budget, and a positive contribution to the bottom line.

We believe this approach fairly recognises the outcomes and value creation that our Executive KMP team has delivered for the business and shareholders.

Non-Executive Director Fees

A review of Non-Executive Directors' fees was made during FY21, taking into consideration the market rates for similar positions at relevant Australian organisations of comparable size and complexity. It was determined that an increase of 5% to base Director fees and an 8.8% uplift to the Chair fee was required in order to fairly compensate Non-Executive Directors for their services.

Committee priorities for FY22

In this challenging economic climate and highly competitive talent market, especially with the significant increase in demand for digital talent, the People and Culture Committee will continue to closely monitor the Executive remuneration framework, to ensure it continues to engage, motivate and reward Executives, whilst also aligning with shareholder interests.

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 People and Culture Committee

REMUNERATION REPORT 2021

In this Report

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Independent Audit of the Report

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

1. Who is Covered in this Report

This remuneration report details the performance and remuneration of Key Management Personnel (KMP), comprising Non-Executive Directors and members of the Executive Leadership Team (herein referred to as Executive KMP) who have the authority and responsibility for planning, directing and controlling the activities of the Company during FY21.

1.1 Key Management Personnel

The Company's KMP in FY21 are listed in the table below. There were no changes to Non-Executive Directors or Executive KMP throughout the year.

Name	Position
Non-Executive Directors	
Patrick O'Sullivan	Non-Executive Chair
Walter Pisciotta	Non-Executive Director
Kim Anderson	Non-Executive Director
Edwina Gilbert	Non-Executive Director
Kee Wong	Non-Executive Director
David Wiadrowski	Non-Executive Director
Steve Kloss	Non-Executive Director (Alternate)
Executive KMP	
Cameron McIntyre	Managing Director (MD) and Chief Executive Officer (CEO)
Ajay Bhatia	Managing Director – Australia
Paul Barlow	Managing Director – International
William Elliott	Chief Financial Officer

2. Summary of the Executive KMP Remuneration Framework

2.1 Executive remuneration strategy and link to Company performance

The delivery of our Company purpose and strategy is supported by our remuneration principles and framework. We are guided by our remuneration principles when designing remuneration plans and making quantum decisions within our remuneration framework, which support the execution of our business strategy.

The strategic measures for our Company's remuneration plans are taken from areas of focus from our strategic program called GPS 2022. This ensures we can align priorities across the wider company in both remuneration and strategy.

Purpose: Making buying and selling a great experience

Delivered through three strategic pillars:



Grow digital marketplaces



Build value-added services



Seek future mobility horizons



Our people



Best-in-class data



Best-in-class technology

Underpinned by our Remuneration Principles



Market competitive

Ensure the Company has the flexibility to attract, motivate and retain high-calibre talent in a competitive market.



Alignment

The alignment of Executive KMP interests with those of shareholders' and our customers is paramount to business success. We believe in a pay for performance culture and through this encourage Executive KMPs to build and maintain a reasonable shareholding.



Link to Company strategy

Our focus is on value-add objectives that contribute to achieving our purpose so that we reward what truly impacts business growth.



Reward the right outcomes

We encourage responsible decision making that is made in the best interests of our customers and shareholders and align reward outcomes accordingly.

Reinforcing business goals and objectives via our Remuneration Framework

Remuneration Component	Alignment to performance	Alignment to principles and strategy
<p>Fixed Remuneration (FR) Comprises base salary and superannuation</p>	<p>Set at a market competitive level in relation to the scope, complexity, capabilities and individual performance in the role.</p> <p>Provides recognition for day-to-day, operational activities in the role.</p>	<p>Set to attract, retain and engage the best people to design and lead the delivery of our strategy.</p>
<p>Short-Term Incentive (STI) Annual incentive opportunity. Delivered as 75% cash and 25% deferred performance rights for a 12-month period, subject to continued service.</p>	<p>Performance assessed using a Group Performance scorecard against:</p> <ul style="list-style-type: none"> Financial measures (70%) – Look through EBITDA and look through revenue, weighted equally. Strategic measures (30%) – Pre-determined projects, engagement metrics and individually assigned business objectives. 	<p>Linked to the Company's key strategic priorities which directly contribute towards the execution of long-term strategy each year.</p> <p>The 25% of the award that is deferred into equity supports Executive KMP's alignment with shareholder interests, as well as Executive KMP retention.</p>
<p>Long-Term Incentive (LTI) Granted in 70% performance rights and 30% options with a three-year vesting period for FY19-21 and FY20-22. Granted in 100% Performance rights for FY21-23.</p>	<p>Performance assessed against:</p> <ul style="list-style-type: none"> Financial measures (70%) comprising Cumulative Annual Growth Rate (CAGR) for: Look through revenue and Adjusted EPS (FY19-21), look through revenue and Adjusted EPS (FY20-22), Adjusted EPS and Relative TSR (FY21-23). Strategic milestone measures (30%) including international revenue growth, growth in Australian non-classified automotive products and projects that address development in the auto industry. 	<p>Targeting profitable, sustained growth in revenue and shareholder wealth creation.</p> <p>The three-year vesting period encourages consideration of long-term decision making and value creation, as well as operating as a retention tool.</p> <p>With a significant portion of potential remuneration based on carsales equity, the Board provides alignment between the interests of Executive KMP with shareholders.</p>

Non-monetary benefits: Employees receive salary continuance insurance cover. It is not allocated on an individual basis.

REMUNERATION REPORT 2021 CONTINUED

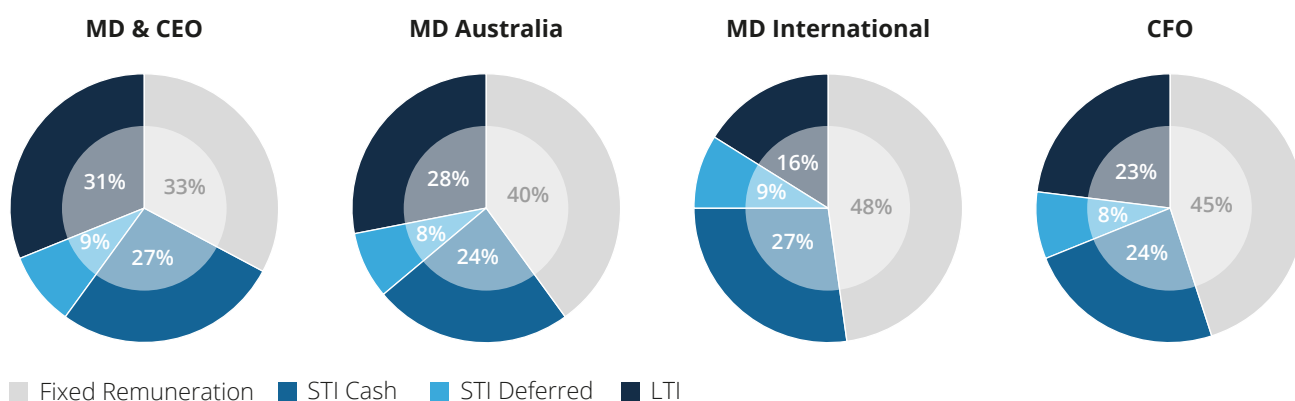
To ensure remuneration is market competitive in order to retain high-calibre talent, the Company will seek advice from external remuneration consultants on an as needs basis to benchmark Executive KMP remuneration against relevant peers, being ASX listed companies that are relative in size, structure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

In FY21, the Board engaged Ernst & Young as its independent Remuneration Advisors. While carsales sought input from Ernst & Young, no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by our Remuneration Advisors. External advice is used as a guide only and does not serve as a substitute for Directors' thorough consideration of remuneration outcomes.

2.2 Remuneration Mix (percentage of total remuneration)

Within the remuneration framework, a focus has been on strengthening the levels of performance-based remuneration. As such, our remuneration mix (at maximum) includes at least 50% variable pay.

The figure below shows the remuneration mix at maximum opportunity for FY21, comprising Fixed Remuneration, STI cash, STI deferred and LTI granted.



The actual remuneration mix will vary based on Group and individual performance each year.

2.3 Timeline for Delivery of Remuneration

The diagram below provides a summarised timeline of when the FY21 remuneration opportunity is delivered.

Fixed Remuneration	Base salary/Super (100%)		
Short-Term Incentive	Cash (75%)	Deferred performance rights (25%)	
Long-Term Incentive	Performance rights/Options (100%)		
Performance Year	Year 1	Year 2	Year 3

3. Remuneration Outcomes and Link to Performance

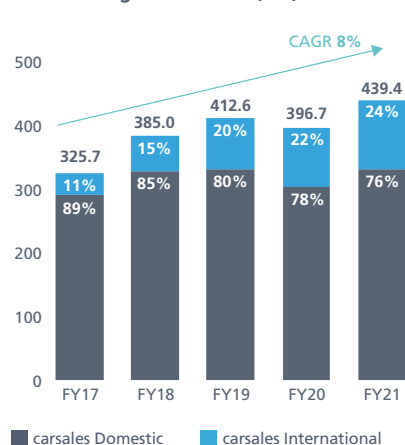
One of the key principles of the Company's remuneration framework is to align Executive KMP remuneration outcomes with Company performance. This section provides a summary of the Company's five-year financial performance outcomes and the link to remuneration outcomes over this period.

3.1 Company Five-year Financial Performance

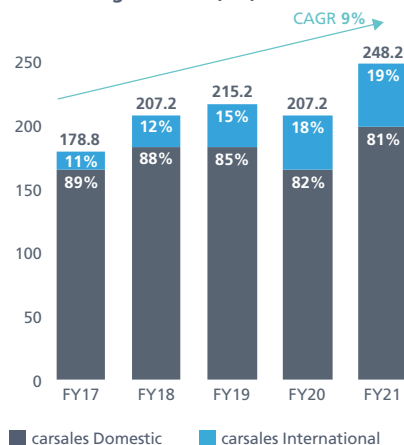
The Company's financial performance over the past five years along with how that performance has translated to shareholders in the form of earnings per share (EPS) and total shareholder return (TSR) is demonstrated in the graphs below.

Remuneration Performance Measures

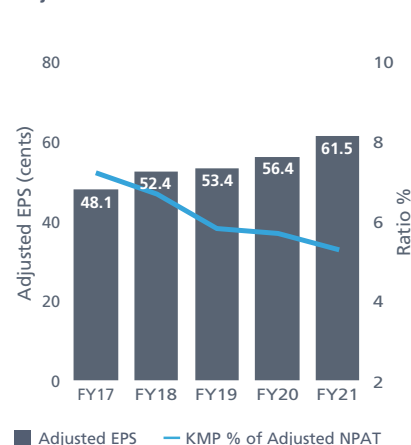
Look through¹ Revenue¹ (\$m)



Look through EBITDA (\$m)¹

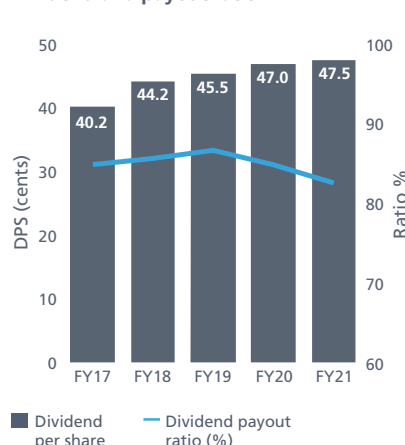


Adjusted EPS and KMP remuneration

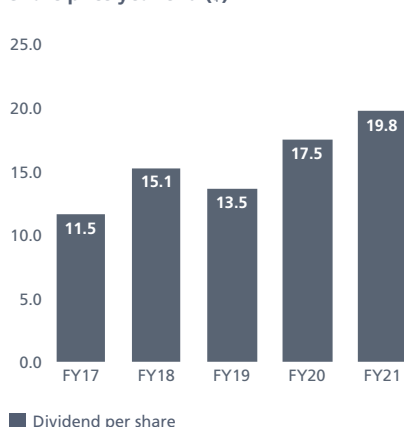


Other Performance Metrics

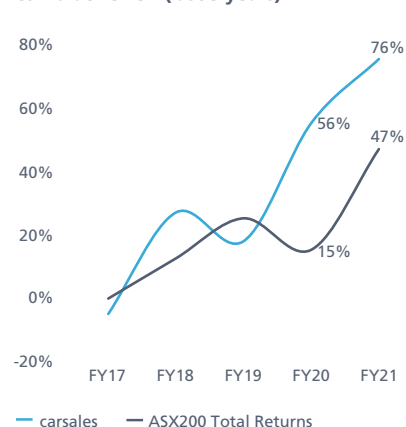
Dividend and payout ratio



Share price year end (\$)



Cumulative TSR (last 5 years)



Five-year Incentive Outcomes

Executive KMP Remuneration Outcomes	FY17	FY18	FY19	FY20	FY21
STI outcome (average % of maximum)	55.1%	85.3%	31.9%	28.0%	100.0%
LTI vesting outcome (% of maximum)	0.0%	72.9%	49.4%	76.0%	30.0%

1. carsales "look through" methodology: For equity accounted associates and consolidated subsidiaries, add the total revenue or EBITDA for the period of ownership within the reporting period multiplied by the % ownership over the period. Some "look through" numbers involve the disclosure of non-IFRS information.

REMUNERATION REPORT 2021 CONTINUED

3.2 Executive KMP Realised Remuneration Snapshot – FY21

The table below provides actual amounts received by the Executive KMP for FY21. This table is an additional disclosure to those required under the Australian Accounting Standards and the *Corporations Act 2001*. It has been provided to assist shareholders in understanding realised outcomes.

Name	Year	Fixed remuneration ¹ \$	Cash STI earned ² \$	Vested deferred STI ³ \$	Vested LTI ⁴ \$	Total \$
Executive KMP						
Cameron McIntyre	FY21	1,500,000	1,241,325	96,864	868,620	3,706,809
	FY20	1,349,000	259,434	120,330	1,575,022	3,303,786
Ajay Bhatia	FY21	850,000	525,000	50,961	225,199	1,651,160
	FY20	807,500	136,500	53,149	441,001	1,438,150
Paul Barlow	FY21	619,500	345,945	33,039	128,685	1,127,169
	FY20	588,525	88,465	40,359	252,007	969,356
William Elliott ⁵	FY21	450,000	243,750	13,713	19,301	726,764
	FY20	144,487	36,750	-	37,805	219,042
Total FY21		3,419,500	2,356,020	194,577	1,241,805	7,211,902
Total FY20		2,889,512	521,149	213,838	2,305,835	5,930,334

- Fixed remuneration earned in the financial year (base salary and superannuation). FY20 figures reflect a 20% reduction in Fixed Remuneration for the months of April 2020 to June 2020.
- Cash STI earned in relation to performance under the STI plan during the financial year.
- Vested deferred STI is the value of deferred STI earned as a result of performance in the prior financial year, subject to a restriction period that ends in August 2021. The STI value is calculated as the number of rights that vested multiplied by the 30 June 2021 closing share price (30 June 2020 closing share price for the FY20 financial year).
- Vested LTI is the value of performance rights and options that vest in August 2021. Values are calculated as the number of rights and options received multiplied by the 30 June 2021 closing share price (30 June 2020 closing share price for the FY20 financial year), less the exercise cost of converting options to shares. For example, FY21 is reported as the FY19 LTI grant which vested in August 2021.
- William Elliott commenced as KMP effective 16 January 2020. Pro rata Fixed Remuneration figures provided from 16 January 2020 to 30 June 2020. The FY20 STI figure represents the full FY20 STI figure paid.

3.3 Fixed Remuneration Outcomes

Fixed remuneration is generally positioned between the median and the 75th percentile of the relevant market, which allows flexibility required to attract and retain high calibre Executives. The annual fixed remuneration entitlements of the Executive KMP for FY21 is set out below:

Name	Annual fixed remuneration from 1 July 2020 to 30 June 2021 \$
Cameron McIntyre	1,500,000
Ajay Bhatia	850,000
Paul Barlow	619,500
William Elliott	450,000

Actual fixed remuneration paid to members of the Executive KMP is shown in the remuneration tables in section 3.2 of this report.

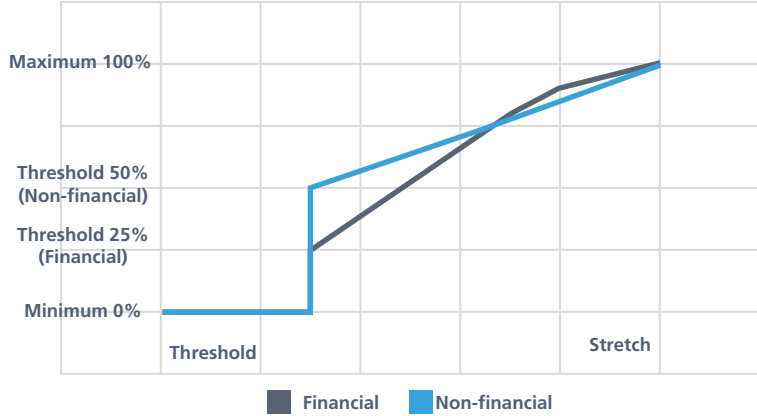
Within the FY21 annual review, effective 1 July 2020, the CEO's fixed remuneration increased by 5.6%, recognising strong performance within the role and better market alignment. The CFO was also allocated an increased fixed remuneration increase of 28.6%, recognising an established track record of strong performance in the role and as such, better alignment to market to assist in retention. A benchmarking exercise was undertaken in FY21.

3.4 Short-Term Incentive Plan – Key Features and Outcomes

The key features of the STI plan for the year ended 30 June 2021 are detailed in the table below.

Feature	Approach													
Description	Eligible Executive KMP's participate in the annual STI plan with an earning opportunity that is 'at risk' subject to specific pre-determined Group and individual performance measures being met. All performance measures chosen support the delivery of our strategy and create sustainable value for all stakeholders.													
Performance period	Aligned with the financial year, 1 July 2020 to 30 June 2021.													
STI Opportunity	<p>The STI opportunity varies in accordance with role size, complexity and direct accountability. Market benchmarking references are also taken into consideration. The maximum (capped) opportunity for award represents outstanding levels of performance. Executive KMP capped levels, referenced as a percentage of Fixed Remuneration (FR) are:</p> <table border="1"> <thead> <tr> <th>Role</th> <th>Maximum (cap)</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>110% of Fixed Remuneration</td> </tr> <tr> <td>Other Executive KMP</td> <td>Between 72% to 82% of Fixed Remuneration</td> </tr> </tbody> </table>	Role	Maximum (cap)	CEO	110% of Fixed Remuneration	Other Executive KMP	Between 72% to 82% of Fixed Remuneration							
Role	Maximum (cap)													
CEO	110% of Fixed Remuneration													
Other Executive KMP	Between 72% to 82% of Fixed Remuneration													
Delivery of award	The STI award is delivered 75% in cash and 25% in equity (performance rights) that is deferred for an additional 12 months subject to a continued service condition. No dividends are payable until the performance rights vest into ordinary shares at the conclusion of the 12-month hold period.													
Performance measures and weightings	<p>The STI plan incorporates both financial and non-financial performance measures. The performance measures and their relative weightings are:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Measures</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial</td> <td>Look through revenue</td> <td>35%</td> </tr> <tr> <td>Look through EBITDA</td> <td>35%</td> </tr> <tr> <td rowspan="2">Non-financial</td> <td>Strategic and individual objectives</td> <td>20%</td> </tr> <tr> <td>People & Culture</td> <td>10%</td> </tr> </tbody> </table> <p>These measures are calculated on a constant currency basis to remove the effect of fluctuations in FX rates when assessing performance outcomes.</p>	Category	Measures	Weighting	Financial	Look through revenue	35%	Look through EBITDA	35%	Non-financial	Strategic and individual objectives	20%	People & Culture	10%
Category	Measures	Weighting												
Financial	Look through revenue	35%												
	Look through EBITDA	35%												
Non-financial	Strategic and individual objectives	20%												
	People & Culture	10%												
Performance threshold and maximum	<p>A minimum performance threshold must be achieved in the performance period prior to any award vesting. The threshold and maximum performance for FY21 have been set as follows:</p> <table border="1"> <thead> <tr> <th>Measure</th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Look through revenue</td> <td>3.0% CAGR</td> <td>10.0% CAGR</td> </tr> <tr> <td>Look through EBITDA</td> <td>3.0% CAGR</td> <td>13.0% CAGR</td> </tr> </tbody> </table>	Measure	Threshold	Maximum	Look through revenue	3.0% CAGR	10.0% CAGR	Look through EBITDA	3.0% CAGR	13.0% CAGR				
Measure	Threshold	Maximum												
Look through revenue	3.0% CAGR	10.0% CAGR												
Look through EBITDA	3.0% CAGR	13.0% CAGR												

REMUNERATION REPORT 2021 CONTINUED

Feature	Approach									
Selection of Performance Measures	<p>Financial Measures:</p> <p>Look through revenue Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.</p> <p>Look through Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) Look through EBITDA is the Group earnings before interest, tax, depreciation and amortisation, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying EBITDA for equity accounted associates.</p> <p>The Board decided to change one of the financial measures from Adjusted NPAT to look through EBITDA with effect from the FY21 year. In consideration of the impacts from COVID-19, cashflow protection has been a key focus for the business. As such, the Board determined that look through EBITDA was the right objective to reflect this focus and align the plan measures to a metric that Executive KMP's could directly influence. The financial performance outcomes are provided within the STI outcomes of the report.</p> <p>Non-financial measures within the plan recognise the importance of key strategic priorities and employee engagement in achieving business transformation. The Board decides on pre-determined strategic performance objective targets at the beginning of the performance period, which are linked to our longer-term strategy and value creation for our shareholders. The strategic objective outcomes are provided within the STI outcomes section of the report.</p>									
Link of performance and reward	<p>For each measure, there is a minimum threshold of performance required to be met before any pay-out is awarded for that portion of the STI.</p> <p>An incremental scale applies in accordance with achievement of financial measures, with the intention to motivate and fairly reward exceptional performance outcomes. The achievement of non-financial performance measures is assessed through a rating scale, with Satisfactory performance allocated 50%, Above Expectations allocated 75% and Exceptional 100%.</p>  <table border="1" data-bbox="373 1391 1134 1805"> <caption>Link of performance and reward</caption> <thead> <tr> <th>Performance Level</th> <th>Financial Measure (%)</th> <th>Non-financial Measure (%)</th> </tr> </thead> <tbody> <tr> <td>Threshold</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Stretch</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	Performance Level	Financial Measure (%)	Non-financial Measure (%)	Threshold	0%	0%	Stretch	100%	100%
Performance Level	Financial Measure (%)	Non-financial Measure (%)								
Threshold	0%	0%								
Stretch	100%	100%								
Cessation of employment	<p>If an Executive KMP ceases employment with the Company prior to any awards being paid, unless the Board determines otherwise, the Executive KMP will forfeit any awards to be paid for the performance period.</p>									

Performance outcomes against STI Measures for FY21

STI outcomes are calculated using a performance scorecard with 70% weighting on financial measures and 30% weighting on non-financial measures. All outcomes are measured on Group performance with the exception of one individual strategic objective.

The Board's assessment of the CEO's performance in the 2021 financial year is outlined below.

Measure	Weight	Threshold	Maximum	Actual Performance	Payout (as a % of Maximum)	Commentary
Financial						
Look through revenue	35%	\$409m	\$436m	\$439m	35% of the 35%	• Strong performance achieved, well above threshold
Look through EBITDA*	35%	\$208m	\$228m	\$242m	35% of the 35%	• Strong performance achieved, well above threshold
Strategic						
Ways of working	10%			Exceptional	10% of the 10%	<ul style="list-style-type: none"> • Implementation of new framework for all new business cases including approval processes by December 2020. Adhered to for all initiatives. • Successful implementation of new 'Tribe' structure in Product & Technology with aligned Objectives & Key Results by June 2021. • Employee Opinion Survey (EOS) collaboration score was 66% from a target of >60%, under a new post COVID-19 remote working in/out of office. A 10% increase in collaboration score from the prior EOS in 2019. The collaboration rating is independent from the overall Company engagement rating.
Individual KPI: International growth – Digital Marketplaces	10%			Exceptional	10% of the 10%	<ul style="list-style-type: none"> • Organic growth in international businesses including South Korea and Brazil during a challenging period within global marketplaces due to COVID-19, as well as successful acquisition of 49% interest in Trader Interactive.
People						
Engagement and Sentiment	10%			Exceptional	10% of the 10%	<ul style="list-style-type: none"> • Achieved an EOS rating of 72%, above target of 71%. • Recognised as a Workforce Gender Equality Agency Employer of Choice, and certified as a Great Place To Work®. • Strong leadership and visibility throughout a year of challenging events, achieving a 95% favourable rating from the team regarding their confidence in leadership's response to the COVID-19 pandemic.
Total	100%				100% of the 100%	

* These financial measures exclude the impact of JobKeeper

REMUNERATION REPORT 2021 CONTINUED

The Board assessed the achievement of all other Executive KMP's individual performance component outcomes and determined all had exceeded performance expectations. As mentioned above, this component of the plan is the only objective that is assessed on an individual performance basis and accounts for 10% weighting within the overall plan.

Overall STI Financial Outcomes

The following table provides the FY21 STI outcomes awarded to Executive KMP. Under the FY21 STI plan, 25% of the awarded STI is provided in equity with vesting deferred for an additional 12 months subject to a continued service condition.

	Actual STI awarded \$	75% Cash \$	25% Deferred in Equity \$	Number of performance rights awarded	STI Maximum \$	STI actual as a % of STI Maximum %
2021						
Cameron McIntyre	1,655,100	1,241,325	413,775	21,164	1,655,100	100%
Ajay Bhatia	700,000	525,000	175,000	8,951	700,000	100%
Paul Barlow	461,260	345,945	115,315	5,898	461,260	100%
William Elliott	325,000	243,750	81,250	4,156	325,000	100%

Number of performance rights to be awarded is based on the 20 day VWAP June 21'

2020 Deferred STI Outcome

The 2020 deferred STI will qualify to vest upon release of this Annual Report to the ASX by the Board. The table below provides the award value based on the accounting Black Scholes valuations, as well as the cash value to each Executive KMP of their STI based on the 30 June 2021 share price.

	DSTI value (Black Scholes)		DSTI value (30 June 2021 share price)	
	Vested \$	Vested %	Vested \$	Vested %
2021				
Cameron McIntyre	87,220	100%	96,864	100%
Ajay Bhatia	45,887	100%	50,961	100%
Paul Barlow	29,749	100%	33,039	100%
William Elliott	12,348	100%	13,713	100%

3.5 FY19-21 Long-Term Incentive Plan – Key Features

Feature	Approach						
Description	Eligible Executive KMP's participate in the LTI plan, with an opportunity that is 'at risk' subject to specific pre-determined Group performance measures being met over a three-year period. The plan is designed to align Executive KMP's interests with those of shareholders.						
Opportunity	The LTI opportunity reflects accountabilities and influence over the Company's long-term performance within each role. Market benchmarks are also referenced in determining the LTI opportunity. The maximum face value of LTI that can be granted, referenced as a percentage of Fixed Remuneration (FR) is: <table border="1" data-bbox="351 1780 1439 1892"> <thead> <tr> <th>Role</th> <th>Maximum (cap)</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>90% of Fixed Remuneration</td> </tr> <tr> <td>Other Executive KMP</td> <td>Between 7% and 41% of Fixed Remuneration</td> </tr> </tbody> </table>	Role	Maximum (cap)	CEO	90% of Fixed Remuneration	Other Executive KMP	Between 7% and 41% of Fixed Remuneration
Role	Maximum (cap)						
CEO	90% of Fixed Remuneration						
Other Executive KMP	Between 7% and 41% of Fixed Remuneration						
Performance and vesting period	Performance is measured over three financial years. The expiry date of the award is fifteen years from the grant date.						

Feature	Approach															
Delivery	<p>The number of performance rights and options granted for the FY19-FY21 plan are allocated as follows: Seventy percent (70%) of the opportunity is granted as performance rights (PRs), with vesting subject to financial performance measures and ongoing service. The remaining 30% is granted as options, with vesting subject to strategic objectives being met and ongoing service. No dividends are paid during the performance period, until the rights or options vest and are exercised.</p> <p><i>In FY21 the Board decided to simplify the FY21-23 LTI plan to have only one equity vehicle, rather than two. As such, one hundred percent (100%) of the opportunity will be granted as performance rights (PRs), with vesting subject to financial metrics and strategic objectives being met as well as ongoing service. No dividends are paid during the performance period, until the rights vest.</i></p>															
Allocation approach	<p>The number of performance rights and options granted are calculated as follows:</p> <div style="display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ FR (At time of grant)</div> <div style="margin: 0 10px;">x</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Award face value (% FR)</div> <div style="margin: 0 10px;">÷</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ Share price (Performance rights)</div> <div style="margin: 0 10px;">=</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Number of PRs (70% of Award)</div> </div> <div style="display: flex; align-items: center; justify-content: center; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; margin: 5px;">\$ Black Scholes price (Options)</div> <div style="margin: 0 10px;">÷</div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">Number of Options (30% of Award)</div> </div> <p>The share price used was the Volume Weighted Average Price of the Company's ordinary shares for the 20 trading days up to and including 30 June 2021.</p>															
Performance measures and weightings	<p>The performance measures and their relative weightings are:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Measures</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial (PRs)</td> <td>Look through revenue</td> <td>35%</td> </tr> <tr> <td>Adjusted EPS</td> <td>35%</td> </tr> <tr> <td rowspan="3">Strategic (Options)</td> <td>Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole</td> <td>10%</td> </tr> <tr> <td>Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set</td> <td>10%</td> </tr> <tr> <td>Achieve specified milestones which relate to projects that address developments within the automotive industry</td> <td>10%</td> </tr> </tbody> </table>	Category	Measures	Weighting	Financial (PRs)	Look through revenue	35%	Adjusted EPS	35%	Strategic (Options)	Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole	10%	Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set	10%	Achieve specified milestones which relate to projects that address developments within the automotive industry	10%
Category	Measures	Weighting														
Financial (PRs)	Look through revenue	35%														
	Adjusted EPS	35%														
Strategic (Options)	Growth in international business performance metrics that reflect the strategic importance of this segment to the Group as a whole	10%														
	Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set	10%														
	Achieve specified milestones which relate to projects that address developments within the automotive industry	10%														

REMUNERATION REPORT 2021 CONTINUED

Feature	Approach																									
Performance Threshold and Maximum	A minimum performance threshold must be achieved in the performance period prior to any award vesting. The threshold and maximum performance for FY19-21 and other currently operating LTI plans (for further information) have been set as follows:																									
	<table border="1"> <thead> <tr> <th>Year</th> <th>Measure</th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td rowspan="2">FY19-21</td> <td>Look through revenue</td> <td>5.0% CAGR</td> <td>10.0% CAGR</td> </tr> <tr> <td>Adjusted EPS</td> <td>5.0% CAGR</td> <td>10.0% CAGR</td> </tr> <tr> <td rowspan="2">FY20-22</td> <td>Look through revenue</td> <td>3.0% CAGR</td> <td>10.0% CAGR</td> </tr> <tr> <td>Adjusted EPS</td> <td>3.0% CAGR</td> <td>10.0% CAGR</td> </tr> <tr> <td rowspan="2">FY21-23</td> <td>Relative TSR</td> <td>50th percentile</td> <td>75th percentile</td> </tr> <tr> <td>Adjusted EPS</td> <td>3.0% CAGR</td> <td>10.0% CAGR</td> </tr> </tbody> </table>	Year	Measure	Threshold	Maximum	FY19-21	Look through revenue	5.0% CAGR	10.0% CAGR	Adjusted EPS	5.0% CAGR	10.0% CAGR	FY20-22	Look through revenue	3.0% CAGR	10.0% CAGR	Adjusted EPS	3.0% CAGR	10.0% CAGR	FY21-23	Relative TSR	50 th percentile	75 th percentile	Adjusted EPS	3.0% CAGR	10.0% CAGR
	Year	Measure	Threshold	Maximum																						
	FY19-21	Look through revenue	5.0% CAGR	10.0% CAGR																						
		Adjusted EPS	5.0% CAGR	10.0% CAGR																						
	FY20-22	Look through revenue	3.0% CAGR	10.0% CAGR																						
		Adjusted EPS	3.0% CAGR	10.0% CAGR																						
	FY21-23	Relative TSR	50 th percentile	75 th percentile																						
		Adjusted EPS	3.0% CAGR	10.0% CAGR																						
	Financial metrics used exclude corporate activity (such as acquisitions) made after the AGM notice date, with the exception of any disposal of businesses or acquisitions of additional equity stakes in any existing businesses, where the CAGR targets will be altered to maintain the underlying CAGR growth rates targeted for the financial year. The Board 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 when it is in shareholders' interests to do so.																									
Strategic Targets: The release of targets that were used to assess performance will be provided upon completion of each three-year performance period, due to competitive advantage information being withheld.																										
Vesting Schedule	Performance Level																									
	Financial																									
	Below Threshold	0%																								
	Between Threshold and Maximum: Both Look through revenue and Adjusted EPS	From 30% to 100%																								
	Strategic																									
	Not achieved	0%																								
	Partial achievement	50%																								
Full achievement	100%																									

Feature	Approach				
Selection of Performance Measures	<p data-bbox="363 414 606 443">Financial Measures:</p> <table border="1" data-bbox="363 448 1445 772"> <thead> <tr> <th data-bbox="363 448 997 481">Adjusted EPS</th> <th data-bbox="1034 448 1305 481">Look through revenue</th> </tr> </thead> <tbody> <tr> <td data-bbox="363 488 997 772">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 influence that would materially affect Adjusted EPS.</td> <td data-bbox="1034 488 1445 772">Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.</td> </tr> </tbody> </table> <p data-bbox="363 806 1420 996">The Board believes that the chosen measures ensure alignment of LTI vesting outcomes to shareholder interests. In determining the financial measures' targets, the Board considers the historical revenue and earnings performance of the Company, forward looking market consensus revenue and earnings expectations, the overall purpose of the award and the long-term best interests of the Company. Based on these factors, the Board believes that the growth targets that have been set are appropriate in all the circumstances.</p> <p data-bbox="363 1019 1445 1198">Non-financial measures within the plan recognise the importance that key strategic priorities and people engagement has in achieving ongoing business transformation and evolution. The Board have selected pre-determined strategic performance objectives which are linked to the Company's long-term strategy and are therefore key in improving long-term financial performance and value for our shareholders. Key factors in determining these outcomes are delivery on time, on budget and contribution to the bottom line.</p> <p data-bbox="363 1220 1445 1400"><i>In FY21, the Board has retained Adjusted EPS as a performance measure within the FY21-23 plan, to support alignment with company specific financial outcomes, whilst introducing Relative Total Shareholder Return (RTSR) as a new performance measure, to enhance alignment of Executive remuneration outcomes with that of shareholders. Additionally, there are three international peer companies in the peer group (full listing of peer group provided in the 2020 Notice of Annual General Meeting documentation on the Company's Investors web page).</i></p>	Adjusted EPS	Look through revenue	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 influence that would materially affect Adjusted EPS.	Look through revenue is the ordinary revenue from continuing operations reported for the consolidated Group, adjusted for the ownership percentage held by the group of consolidated subsidiaries, and adding in the Group's ownership share of the underlying revenue for equity accounted associates.
Adjusted EPS	Look through revenue				
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Malus and Clawback	<p data-bbox="363 1411 1396 1500">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 or performance rights held under the plan are forfeited:</p> <ul data-bbox="363 1512 1372 1646" style="list-style-type: none"> (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. 				
Ceasing Employment	<p data-bbox="363 1657 1445 1803">Executive KMPs who leave the Company have 30 days from their date of departure to exercise any vested options they may have, unless such departure is under adverse conditions. In exceptional circumstances, and at the Board's discretion, Executive KMP's may be allowed to retain unvested options (from current prior year operating LTI plans) and performance rights in a future period when they vest. This would be subject to testing against performance criteria.</p>				
Hedging Policy	<p data-bbox="363 1814 1445 1984">The Company's Equity 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 without prior authorisation from the Company, all options will immediately lapse.</p>				

REMUNERATION REPORT 2021 CONTINUED

Feature	Approach
Change of Control	While the Board maintains discretion in relation to unvested options and performance rights, the default treatment for unvested options subject to performance conditions is that a pro-rata number will vest based on the extent to which applicable performance conditions have been satisfied. For unvested options and performance rights subject to only continuing service conditions, the pro-rata number will vest based on the proportion of the period that has lapsed.

There are currently three years of unvested LTI awards with performance periods that include the 2021 financial year.

Financial year of grant	Performance period	Performance year to determine vesting	Vesting dates
FY19-21	1 July 2018 – 30 June 2021	FY21	August 2021
FY20-22	1 July 2019 – 30 June 2022	FY22	August 2022
FY21-23	1 July 2020 – 30 June 2023	FY23	August 2023

FY19-21 Performance outcomes against LTI Measures

LTI performance and awarded outcomes

The Board's assessment of performance against the FY19-21 LTI performance measures is outlined below.

Measure	Weighting	Performance outcome	Vesting outcome	Commentary
Financial				
Look through revenue	35%	Not achieved	0% of the 35%	• Below threshold performance achieved.
Adjusted EPS	35%	Achieved	0% of the 35%	• Above threshold performance achieved, however a minimum gate threshold for both financial metrics needs to be achieved prior to any award vesting.
Strategic				
Growth in international business performance metrics that reflect the strategic importance of the segment to the Group as a whole.	10%	Full achievement	10% of the 10%	• The international portfolio has been highly profitable throughout FY19-21, with the business achieving double digit growth on the following metrics: Revenue (15%), EBITDA (18%) and traffic (10%).
Growth in Australian classified and non-classified automotive products and services, reflecting the importance of the diversification of the Group's traditional product set.	10%	Full achievement	10% of the 10%	• Delivered a renewed focus on new cars via a showroom re-development which resulted in an increase in revenue (15% CAGR) and leads (10% CAGR). Strong growth in this segment on both of those metrics over the three-year period has been achieved.
Achieve specified milestones which relate to projects that address the development of the automotive industry.	10%	Full achievement	10% of the 10%	• Successfully researched and developed the Placie business on time and on budget – with delivery of MVP to market in FY21.
Total	100%		30% of the 100%	

4. Remuneration Governance

The Board has ensured robust governance processes are in place for remuneration matters within the Company. The below diagram provides a summary of the remuneration governance framework.



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

4.1 Engagement with shareholders and proxy advisors

This year, members of the Board have proactively engaged with several of its largest shareholders many times during the year. Meetings with proxy advisors have also occurred on a regular basis to try to ensure they have a good understanding of the Company's remuneration structure and decisions, and 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 FY21, representatives of the Company met with the following proxy advisors:

- Ownership Matters;
- CGI Glass Lewis;
- ACSI – Australian Council of Superannuation Investors; and
- ISS.

REMUNERATION REPORT 2021 CONTINUED

5. Executive KMP Statutory Remuneration Disclosure

5.1 Accounting based benefits

The table below has been prepared in accordance with the requirements of the *Corporations Act 2001* 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 members of the Executive KMP in FY21.

Name	Year	Short-term benefits		Post employment	Long-term	Share-based payments				Total
		Salary and fees	Cash STI	Super-annuation	Service Leave	Deferred STI	LTI performance rights	LTI options	Other	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director										
Cameron McIntyre	FY21	1,478,306	1,241,325	21,694	39,462	262,235	680,644	395,480	-	4,119,146
	FY20	1,327,997	259,434	21,003	43,180	92,021	385,512	198,314	-	2,327,461
Other Senior Executives										
Ajay Bhatia	FY21	828,306	525,000	21,694	26,865	115,410	237,529	93,847	-	1,848,651
	FY20	786,497	136,500	21,003	22,685	44,332	154,170	79,894	-	1,245,081
Paul Barlow	FY21	597,806	345,945	21,694	6,526	75,799	104,399	53,627	-	1,205,796
	FY20	567,522	88,465	21,003	13,454	31,111	88,451	45,888	-	855,894
William Elliott ¹	FY21	428,306	243,750	21,694	17,181	49,107	50,100	5,044	-	815,182
	FY20	134,767	36,750	9,720	5,084	6,178	4,798	2,407	-	199,704
Total KMP FY21	FY21	3,332,724	2,356,020	86,776	90,034	502,551	1,072,672	547,998	-	7,988,775
Total KMP FY20	FY20	2,816,783	521,149	72,729	84,403	173,642	632,931	326,503	-	4,628,140

1. William Elliott commenced as KMP effective 16 January 2020. Pro rata Fixed Remuneration figures provided from 16 January 2020 to 30 June 2020. The STI cash figure represents the full FY20 STI figure paid.

6. Executive KMP Service Agreements

All Executive KMP have service agreements determining fixed remuneration (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 six months by either party and there is a six month non-compete period.

7. Executive KMP Equity Disclosures

7.1 STI and LTI payments (cash, options and performance rights) achievement against maximum entitlement

All Executive KMP 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 5.1 are as follows:

Name	Cash salary and superannuation		At risk – STI		At risk – DSTI		At risk – LTI	
	2021	2020	2021	2020	2021	2020	2021	2020
	%	%	%	%	%	%	%	%
Executive Director								
Cameron McIntyre	37	60	31	11	6	4	26	25
Other Senior Executives								
Ajay Bhatia	47	66	29	11	6	4	18	19
Paul Barlow	52	70	29	10	6	4	13	16
William Elliott	57	76	30	18	6	3	7	3

7.2 Share-based compensation disclosures – equity granted, vested, exercised and lapsed/forfeited

The table below details a full listing of options and performance rights granted to Executive KMP during FY21 or in prior years of which then vested, were exercised or lapsed/forfeited during FY21.

Name	Type of Equity	Number Granted	Equity Fair Value at 30 June 2021	Exercise Price ¹	Grant Date	Vesting Date	Date of Expiry	Vested			Lapsed/Forfeited			Exercised/Sold			Vested and Unexercisable at 30 June 2021 ⁴
								Number	% ²	Value \$	Number	% ³	Value \$	Number	%	Value \$	
C McIntyre	Options	83,564	1.10	12.23	Oct-16	Aug-19	Oct-31	-	-	-	-	(83,564)	100%	(91,920)	-	-	
	Options	115,243	3.25	11.41	Oct-17	Aug-20	Oct-32	115,243	100%	375,001	-	(115,243)	100%	(375,001)	-	-	
	Rights	72,530	12.06	0.00	Oct-17	Aug-20	Oct-32	72,530	100%	875,002	34%	(300,128)	(47,652)	66%	(574,874)	-	-
	Options	177,632	1.53	14.87	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	177,632	
	Rights	63,551	10.93	0.00	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	63,551	
	Rights	6,783	14.27	0.00	Aug-19	Aug-20	Aug-34	6,783	100%	96,793	-	(6,783)	100%	(96,793)	-	-	
	Options	148,871	3.43	13.54	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	148,871	
	Rights	73,412	13.81	0.00	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	73,412	
A Bhatia	Rights	4,902	17.79	0.00	Aug-20	Aug-21	Aug-35	-	-	-	-	-	-	-	-	4,902	
	Rights	80,499	17.41	0.00	Dec-20	Aug-23	Dec-35	-	-	-	-	-	-	-	-	80,499	
	Options	32,268	3.25	11.41	Oct-17	Aug-20	Oct-32	32,268	100%	105,000	-	(32,268)	100%	(105,000)	-	-	
	Rights	20,308	12.06	0.00	Oct-17	Aug-20	Oct-32	20,308	100%	244,996	34%	(84,038)	(13,342)	66%	(160,958)	-	-
	Rights	16,476	10.93	0.00	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	16,476	
	Options	46,053	1.53	14.87	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	46,053	
	Rights	2,996	14.27	0.00	Aug-19	Aug-20	Aug-34	2,996	100%	42,753	-	(2,996)	100%	(42,753)	-	-	
	Options	30,602	3.43	13.54	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	30,602	
P Barlow	Rights	18,095	13.81	0.00	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	18,095	
	Rights	2,579	17.79	0.00	Aug-20	Aug-21	Aug-35	-	-	-	-	-	-	-	-	2,579	
	Rights	34,014	17.41	0.00	Dec-20	Aug-23	Dec-35	-	-	-	-	-	-	-	-	34,014	
	Options	18,439	3.25	11.41	Oct-17	Aug-20	Oct-32	18,439	100%	60,001	-	(18,439)	100%	(60,001)	-	-	
	Rights	11,605	12.06	0.00	Oct-17	Aug-20	Oct-32	11,605	100%	140,003	34%	(48,027)	(7,624)	66%	(91,976)	-	-
	Rights	9,415	10.93	0.00	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	9,415	
	Options	26,316	1.53	14.87	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	26,316	
	Rights	2,275	14.27	0.00	Aug-19	Aug-20	Aug-34	2,275	100%	32,464	-	(2,275)	100%	(32,464)	-	-	
W Elliott	Options	17,487	3.43	13.54	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	17,487	
	Rights	10,340	13.81	0.00	Oct-19	Aug-22	Oct-34	-	-	-	-	-	-	-	-	10,340	
	Rights	1,672	17.79	0.00	Aug-20	Aug-21	Aug-35	-	-	-	-	-	-	-	-	1,672	
	Rights	11,338	17.41	0.00	Dec-20	Aug-23	Dec-35	-	-	-	-	-	-	-	-	11,338	
	Options	3,636	1.10	12.23	Oct-16	Aug-19	Oct-31	-	-	-	-	(3,636)	100%	(4,000)	-	-	
	Options	2,766	3.25	11.41	Oct-17	Aug-20	Oct-32	2,766	100%	9,001	-	(2,766)	100%	(9,001)	-	-	
	Rights	1,741	12.06	0.00	Oct-17	Aug-20	Oct-32	1,741	100%	21,003	34%	(7,202)	(1,144)	66%	(13,801)	-	-
	Rights	1,412	10.93	0.00	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	1,412	
Rights	Options	3,947	1.53	14.87	Oct-18	Aug-21	Oct-33	-	-	-	-	-	-	-	-	3,947	
	Rights	694	17.79	0.00	Aug-20	Aug-21	Aug-35	-	-	-	-	-	-	-	-	694	
	Rights	12,755	17.41	0.00	Dec-20	Aug-23	Dec-35	-	-	-	-	-	-	-	-	12,755	
	Rights	12,755	17.41	0.00	Dec-20	Aug-23	Dec-35	-	-	-	-	-	-	-	-	12,755	

REMUNERATION REPORT 2021 CONTINUED

Notes to table on previous page:

1. \$0.00 exercise price represents performance rights.
2. Percentage of the available grant that vested in the financial year.
3. Percentage of the available grant that was forfeited due to not meeting the service and performance criteria set.
4. 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.
5. 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. Options and performance rights not exercised expire at the earliest of (a) the expiry date applicable to the option or performance rights, (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.

Further information on the options and performance rights is set out in Note 26 to the financial statements.

7.3 Shares provided on exercise of options and performance rights

Details of ordinary shares in the Company provided as a result of the exercise of options by each member of the Executive KMP 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* \$	Cost to exercise options \$	Net benefit \$
Executive Director					
C McIntyre	Aug-20	253,242	5,291,977	(2,336,910)	2,955,067
Other Senior Executives					
A Bhatia	Aug-20	48,606	1,013,713	(368,178)	645,535
P Barlow	Aug-20	28,338	584,613	(210,389)	374,224
W Elliott	Aug-20	3,910	78,278	(31,560)	46,718
W Elliott	Sep-20	3,636	75,011	(44,468)	30,543

* 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.

7.4 Equity holdings

The number of shares in the Company held during the financial year by Executive KMP, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance 1 July 2020	Received during the year on the exercise of options/rights	Other changes during the year	Balance 30 June 2021
Executive Director				
C McIntyre	230,985	253,242	(155,835)	328,392
Other Senior Executives				
A Bhatia	44,109	48,606	(23,620)	69,095
P Barlow	64,734	28,338	(1,434)	91,638
W Elliott	632	7,546	(3,164)	5,014

7.5 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/rights granted	Expiry date	Issue price of shares \$	Number under options	Number under performance rights
Oct-16	Oct-31	12.23	88,221	-
Oct-17	Oct-32	11.41	51,491	-
Oct-18	Oct-33	14.87	426,452	-
Oct-18	Oct-33	0.00	-	152,563
Oct-19	Oct-34	13.54	285,056	-
Oct-19	Oct-34	0.00	-	153,938
Aug-20	Aug-33	0.00	-	14,461
Oct-20	Oct-35	0.00	-	201,820
			851,220	522,782

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 2021.

7.6 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 2021 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-20	0.00	128,050
Aug-20	10.24 - 12.23	347,208
Sep-20	10.24 - 12.23	22,948
Oct-20	0.00	16,561
Oct-20	10.24 - 11.41	10,254
Nov-20	10.24 - 12.23	8,845
Mar-21	11.41	1,422
Apr-21	11.41	1,383
May-21	11.41	422
Jun-21	11.41 - 12.23	3,662

8. Non-Executive Director Fees

Non-Executive Directors receive fees within an aggregate Directors' fee pool limit, which is periodically proposed for approval by shareholders. The maximum payable to be shared by all Non-Executive Directors currently stands at \$1,500,000 per annum. The current base remuneration pool was approved by shareholders at the Annual General Meeting held on 23 October 2015.

Fees and payments to Non-Executive Directors are determined by the demands that are made on their time, as well as their responsibilities. The annualised fees paid to the Board are below the \$1,500,000 pool approved by shareholders. A review of Non-Executive Directors fees was made during FY21, taking into consideration the market rates for similar positions at relevant Australian organisations of comparable size and complexity. The last review of fees was in March 2018. It was determined that an increase of 5% to base Director fees and an 8.8% uplift to the Chair fee was required in order to fairly compensate Non-Executive Directors for their services.

REMUNERATION REPORT 2021 CONTINUED

The following fee table applies:

Appointment	1 July 2020 fee table \$	1 January 2021 fee table \$
Chair fee	340,000	370,000
Base Director fee	140,000	147,000
Committee Chair fee	35,000	35,000
Committee Member fee	15,000	15,000

Minimum Shareholding Requirements

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.

8.1 Accounting based benefits

The table below has been prepared in accordance with the requirements of the *Corporations Act 2001* 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 Non-Executive Directors in FY21.

Name	Year	Short-term benefits		Post Employment	Long-term benefits	Share-based payments				Total ¹	
		Salary and fees	Cash STI	Super-annuation	Long Service Leave	Deferred STI	LTI performance rights	LTI options	Other		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Non-Executive Directors											
Patrick O'Sullivan	FY21	333,345	-	21,773¹	-	-	-	-	-	-	355,118
	FY20	302,445	-	20,924	-	-	-	-	-	-	323,369
Walter Pisciotta	FY21	144,749	-	13,751	-	-	-	-	-	-	158,500
	FY20	134,475	-	12,775	-	-	-	-	-	-	147,250
Kim Anderson	FY21	176,712	-	16,788	-	-	-	-	-	-	193,500
	FY20	164,840	-	15,660	-	-	-	-	-	-	180,500
Edwina Gilbert	FY21	190,411	-	18,089	-	-	-	-	-	-	208,500
	FY20	177,854	-	16,896	-	-	-	-	-	-	194,750
Kee Wong	FY21	158,448	-	15,053	-	-	-	-	-	-	173,501
	FY20	147,489	-	14,011	-	-	-	-	-	-	161,500
David Wiadrowski	FY21	171,589	-	2,774	-	-	-	-	-	-	174,363
	FY20	168,137	-	12,363	-	-	-	-	-	-	180,500
Total FY21	FY21	1,175,254	-	88,228	-	-	-	-	-	-	1,263,482
Total FY20	FY20	1,095,240	-	92,629	-	-	-	-	-	-	1,187,869

¹ Superannuation top up of \$78.53 paid due to an underpayment identified within a prior financial year.

8.2 Share holdings

The numbers of shares in the Company held during the financial year by each Director of carsales.com Ltd, including their personally related parties, are set out below.

Name	Balance 1 July 2020	Other changes during the year	Balance 30 June 2021
Non-Executive Directors			
P O'Sullivan	23,268	3,329	26,597
W Pisciotta	8,448,298	51,692	8,499,990
K Anderson	15,539	2,690	18,229
E Gilbert	26,761	4,633	31,394
K Wong	12,795	1,831	14,626
D Wiadrowski	4,100	5,900	10,000
S Kloss (Alternate)	2,774,500	-	2,774,500

8.3 Other transactions

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 and S Kloss are shareholders 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 Pty Ltd in FY21 was approximately \$534,385.

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 Director in FY21 was approximately \$847,220. E Gilbert did not receive any additional benefits to her dealerships from her participation on the Company Board.

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
Cameron McIntyre	Managing Director
Wal Pisciotta	Non-Executive Director
Kim Anderson	Non-Executive Director
Edwina Gilbert	Non-Executive Director
Kee Wong	Non-Executive Director
David Wiadrowski	Non-Executive Director
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:

Director name	Full scheduled meetings of directors		Short teleconference meetings of directors		Ad hoc meetings of directors	
	A	B	A	B	A	B
Pat O'Sullivan	12	12	1	1	5	5
Cameron McIntyre	12	12	1	1	5	5
Wal Pisciotta	12	11	1	1	5	5
Kim Anderson	12	12	1	1	5	5
Edwina Gilbert	12	12	1	1	5	4
Kee Wong	12	12	1	1	5	5
David Wiadrowski	12	12	1	1	5	5
Steve Kloss (alternate director)	12	11	1	0	5	3

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

B = Number of meetings attended

Director name	Number of Audit Committee meetings during tenure	Number of Audit Committee meetings attended
David Wiadrowski (Chair)	5	5
Kim Anderson	5	5
Edwina Gilbert	5	5

Director name	Number of Risk Management Committee meetings during tenure	Number of Risk Management Committee meetings attended
Edwina Gilbert (Chair)	3	3
David Wiadrowski	3	3
Kee Wong	3	3

Director name	Number of People and Culture Committee meetings during tenure	Number of People and Culture Committee meetings attended
Kim Anderson (Chair)	5	5
Edwina Gilbert	5	5
Kee Wong	5	5
Wal Pisciotta	5	4

Dividends – carsales.com Ltd

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

	2021 \$'000	2020 \$'000
Final fully franked dividend for the year ended 30 June 2020 of 25.0 cents (2019: 25.0 cents) per fully paid ordinary share paid on 7 October 2020 (2019: 9 October 2019).	61,523	61,184
Interim fully franked dividend for the year ended 30 June 2021 of 25.0 cents (2020: 22.0 cents) per fully paid share paid on 21 April 2021 (2020: 15 April 2020)	61,597	53,959
	123,120	115,143

At the end of the financial year the Directors have recommended the payment of a fully franked final ordinary dividend of \$63,442,000 (22.5 cents per share) to be paid on 18 October 2021 out of retained earnings at 30 June 2021.

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 page 27.

Matters subsequent to the end of the financial year

On 12 May 2021, the Group announced it had entered into an agreement to acquire a 49% interest in Trader Interactive LLC, a leading platform of branded marketplaces in the United States ("US"), providing digital marketing solutions and services across the commercial truck, recreational vehicle, powersports and equipment industries, for USD \$624.0 million. The transaction is due to complete in early FY22.

carsales will invest alongside existing owners West Street Capital Partners VII, L.P., Eurazeo North America Inc., management and employees who collectively own the remaining 51% interest in Trader Interactive. carsales has a call option to acquire the remaining interest in Trader Interactive on specified terms.

The acquisition price will be funded by a combination of debt and equity. In May 2021, carsales announced the launch of an approximately AUD \$600.0 million fully underwritten pro-rata accelerated renounceable entitlement offer (with retail rights trading) to fund the acquisition. The entitlement offer was completed in June 2021 resulting in the issue of 35,298,094 additional ordinary shares and cash raised of AUD \$587.3 million (net of transaction costs). The remaining purchase price will be funded via an extension of existing debt facilities from existing lenders.

No other matters or circumstances have occurred subsequent to period end that have 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.

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.

OTHER DIRECTORS' REPORT DISCLOSURES CONTINUED

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:

	2021 \$'000	2020 \$'000
Other assurance services		
Due diligence services	697,175	223,000
Other assurance services	57,320	-
Total remuneration for other assurance services	754,495	223,000
Taxation services		
Tax compliance services, including review of Company income tax returns	136,000	103,717
International tax consulting and tax advice on mergers and acquisitions	-	130,932
Total remuneration for taxation services	136,000	234,649
Other services		
Other services	-	68,512
Total remuneration for taxation services	-	68,512
Total remuneration for non-audit services	890,495	526,161

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 60.

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 2021 in the Corporate Governance section of the Investor Centre on the carsales website. The full report can be found at the following URL: <https://shareholder.carsales.com.au/governance/>.

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



Pat O'Sullivan
Chair

Melbourne
15 August 2021



Cameron McIntyre
Managing Director and CEO

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of carsales.com Limited for the year ended 30 June 2021, 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.

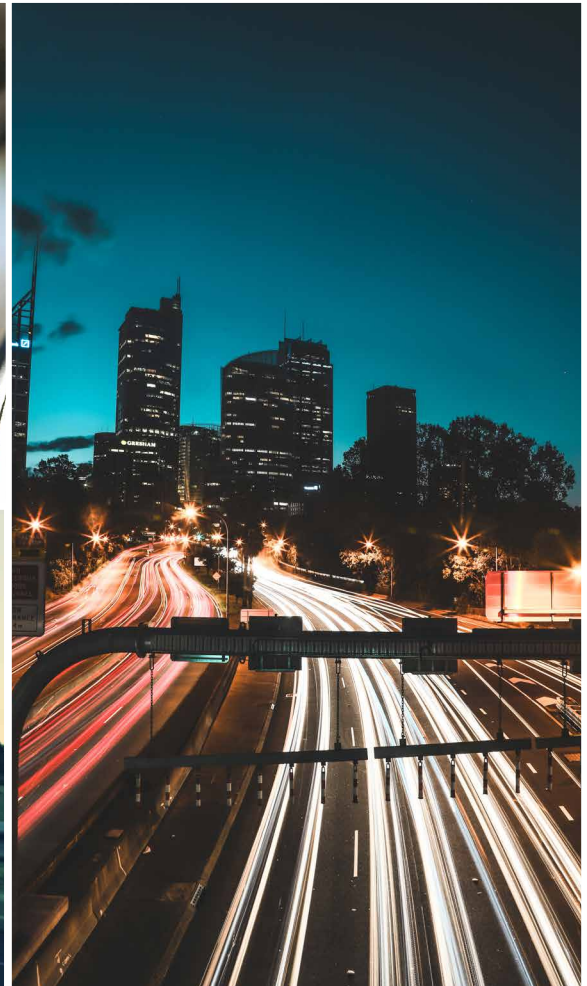
A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
15 August 2021



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SHAREHOLDER INFORMATION

CORPORATE DIRECTORY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Continuing operations			
Revenue from contracts with customers	2	427,164	394,115
Total revenue from continuing operations		427,164	394,115
Expenses			
Costs of sale		(21,266)	(32,878)
Sales and marketing expenses		(69,588)	(72,938)
Service development and maintenance		(38,243)	(29,767)
Operations and administration		(56,577)	(56,493)
Earnings before interest, taxes, depreciation and amortisation		241,490	202,039
Depreciation and amortisation expense		(40,218)	(36,351)
Finance income		608	640
Finance costs	3	(19,291)	(14,974)
Changes in fair value of put options	9	-	7,228
Share of net profit from associates accounted for using the equity method	19(c)	3,946	4,177
Fair value gain arising from discontinuing the equity method	19(d)	-	9,753
Loss on disposal of subsidiary		-	(472)
Profit before income tax		186,535	172,040
Income tax expense	5(a)	(55,323)	(50,205)
Profit from continuing operations		131,212	121,835
Net result after tax from discontinued operations	20	-	(4,882)
Profit for the year		131,212	116,953
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(12,279)	(32,343)
Remeasurement of post-employment benefit obligations		251	(983)
Movement in net investment hedge (net of tax)		17,575	3,532
Movement in cash flow hedge (net of tax)		25,593	(1,246)
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in financial assets at fair value (net of tax) through other comprehensive income		2,139	3,967
Other comprehensive income for the year		33,279	(27,073)
Total comprehensive income for the year		164,491	89,880
Profit for the year is attributable to:			
Owners of carsales.com Ltd		130,704	114,668
Non-controlling interests		508	2,285
		131,212	116,953
Total comprehensive income for the year is attributable to:			
Owners of carsales.com Ltd		163,983	87,572
Non-controlling interests		508	2,308
		164,491	89,880
Total profit for the year is attributable to owners of carsales.com Ltd from:			
Continuing operations		130,704	119,943
Discontinued operations	20	-	(5,275)
		130,704	114,668

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONTINUED

For the Year Ended 30 June 2021

	Notes	2021 Cents	2020 Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	4	52.6	46.8
Diluted earnings per share	4	52.5	46.7
Earnings per share for profit from continuing operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		52.6	48.9
Diluted earnings per share		52.5	48.8
Earnings per share for loss from discontinued operations, attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		-	(2.1)
Diluted earnings per share		-	(2.1)

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 2021

	Notes	2021 \$'000	Restated 2020* \$'000
ASSETS			
Current assets			
Cash and cash equivalents		284,004	179,937
Trade and other receivables	14	46,755	53,042
Derivative assets	9	33,658	-
Total current assets		364,417	232,979
Non-current assets			
Investments accounted for using the equity method	19(c)	55,953	51,197
Financial assets at fair value through other comprehensive income	19(d)	49,529	40,718
Property, plant and equipment	15	12,186	13,760
Right-of-use assets	16	55,614	52,961
Deferred tax assets	5	17,841	15,704
Intangible assets	17	597,734	583,186
Other receivables	14	10,317	7,096
Total non-current assets		799,174	764,622
Total assets		1,163,591	997,601
LIABILITIES			
Current liabilities			
Trade and other payables	18	38,862	29,617
Lease liabilities	16	6,636	6,638
Borrowings	7	35	174
Current tax liabilities	5	19,849	18,859
Provisions	18	9,416	7,600
Contract liabilities		11,384	11,053
Total current liabilities		86,182	73,941
Non-current liabilities			
Other payables		245	204
Lease liabilities	16	56,716	54,333
Borrowings	7	43,195	544,070
Other financial liabilities	10	1,172	-
Derivative liabilities	10	-	14,179
Deferred tax liabilities	5	31,775	15,564
Provisions	18	3,805	3,748
Total non-current liabilities		136,908	632,098
Total liabilities		223,090	706,039
Net assets		940,501	291,562
EQUITY			
Contributed equity	11	755,357	149,817
Reserves	12	(21,440)	(56,253)
Retained earnings		204,819	197,235
Non-controlling interests		1,765	763
Total equity		940,501	291,562

* Restatement relates to minor adjustment of prior year balances resulting from changes in the interpretation of 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 2021

	Notes	Attributable to owners of carsales.com Ltd			Non-con trolling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2020		149,817	(56,253)	197,235	763	291,562
Profit for the year		-	-	130,704	508	131,212
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations		-	(12,279)	-	-	(12,279)
Remeasurement of post-employment benefit obligations		-	251	-	-	251
Movement in cash flow hedge net of tax		-	25,593	-	-	25,593
Movement in net investment hedge net of tax		-	17,575	-	-	17,575
<i>Items that will not be reclassified to profit or loss</i>						
Changes in financial assets at fair value (net of tax) through other comprehensive income		-	2,139	-	-	2,139
Total comprehensive income for the year		-	33,279	130,704	508	164,491
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	11	4,563	-	-	-	4,563
Contributions of equity net of transaction costs and tax	11	591,117	-	-	-	591,117
Increase in share-based payment reserve inclusive of tax	12	-	3,633	-	-	3,633
Dividends paid to company shareholders		9,860	-	(123,120)	-	(113,260)
Dividends paid to non-controlling interests		-	-	-	(210)	(210)
Transactions with non-controlling interests		-	(2,099)	-	704	(1,395)
Balance at 30 June 2021		755,357	(21,440)	204,819	1,765	940,501

	Notes	Attributable to owners of carsales.com Ltd			Non-con trolling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 July 2019		135,372	(29,694)	203,361	5,523	314,562
Restatement for changes in accounting policy*		-	-	(5,650)	-	(5,650)
Restated balance at 1 July 2019		135,372	(29,694)	197,711	5,523	308,912
Profit for the year		-	-	114,668	2,285	116,953
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations		-	(32,366)	-	23	(32,343)
Remeasurement of post-employment benefit obligations		-	(983)	-	-	(983)
Movement in cash flow hedge net of tax		-	(1,246)	-	-	(1,246)
Movement in net investment hedge net of tax		-	3,532	-	-	3,532
<i>Items that will not be reclassified to profit or loss</i>						
Changes in financial assets at fair value (net of tax) through other comprehensive income		-	3,967	-	-	3,967
Total comprehensive income for the year		-	(27,096)	114,668	2,308	89,880
Transactions with owners in their capacity as owners:						
Contributions of equity upon exercise of employee share options	11	4,493	-	-	-	4,493
Increase in share-based payment reserve inclusive of tax	12	-	4,392	-	-	4,392
Dividends paid to company shareholders		9,952	-	(115,144)	-	(105,192)
Dividends paid to non-controlling interests		-	-	-	(5,185)	(5,185)
Transactions with non-controlling interests		-	(3,855)	-	(1,883)	(5,738)
Balance at 30 June 2020		149,817	(56,253)	197,235	763	291,562

* Restatement relates to minor adjustment of prior year balances resulting from changes in the interpretation of 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 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (including GST)		469,480	489,707
Payments to suppliers and employees (including GST)		(214,852)	(275,961)
Income taxes paid		(56,347)	(42,305)
Net cash inflow from operating activities	6	198,281	171,441
Cash flows from investing activities			
Payment for investment in non-controlling interests and subsidiaries (net of cash acquired)		(18,892)	(4,394)
Payment for financial assets at fair value through other comprehensive income		(2,169)	(2,394)
Payments for property, plant and equipment		(2,688)	(9,056)
Payments for intangible assets		(30,619)	(24,532)
Interest received		608	605
Proceeds from sale of property, plant and equipment		236	197
Proceeds from disposal of subsidiaries (net of transaction costs)		-	5,330
Dividends received from associates	19(c)	2,217	-
Net cash outflow from investing activities		(51,307)	(34,244)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities (net of transaction costs)		591,844	4,493
Proceeds from borrowings		-	147,330
Repayment of borrowings		(500,298)	(77,453)
Payment of loan establishment fees		(2,364)	(463)
Principal elements of lease payments		(8,242)	(6,826)
(Payments)/proceeds from financial instruments		2,450	(897)
Dividends paid	13, 19(b)	(113,470)	(105,587)
Interest paid		(11,343)	(14,828)
Net cash outflow from financing activities		(41,423)	(54,231)
Effects of exchange rates on cash and cash equivalents		(1,484)	(2,241)
Net increase in cash and cash equivalents (including cash flows from discontinued operations)		104,067	80,725
Cash and cash equivalents at the beginning of the financial year		179,937	94,411
Add back: Cash outflow from discontinued operations	20	-	4,801
Cash and cash equivalents at the end of the financial year		284,004	179,937

The above consolidated statement of cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 20.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

Basis of preparation

carsales.com Ltd is a for-profit entity for the purpose of preparing the financial statements. The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of carsales.com Ltd ('Company' or 'parent entity') as at 30 June 2021 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'.

These general purpose financial statements:

- (i) Have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.
- (ii) Comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- (iii) Have been prepared on a going concern basis.
- (iv) Have been prepared under the historical cost convention except for the revaluation of financial assets and liabilities (including derivative instruments) measured at fair value through other comprehensive income.

Amounts in the financial statements are presented in Australian dollars with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the *Australian Securities and Investments Commission Corporations Instrument 2016/191*.

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 ongoing COVID-19 pandemic continues to impact the estimation uncertainty in the preparation of these financial statements. The estimation uncertainty is predominantly related to the fair value measurement and recoverable amount assessments for intangible assets (Note 17), financial assets and liabilities at fair value through other comprehensive income (Note 9) and trade receivables (Note 14).

Other areas with a level of estimation includes deferred tax assets relating to tax losses, uncertain tax positions and Research and Development (R&D) claim (Note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

Corporate Information

carsales.com Ltd (the 'Company') 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 15 August 2021. The Directors have the power to amend and reissue the Financial Report.

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.

KEY PERFORMANCE

This section provides information 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.

1. Segment information

Accounting policy

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 Chief Executive Officer ('CEO').

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

The Group's operating segments are determined firstly based on location, and secondly by function, of the Group's operations. The Group principally operates in four business segments which are described below:

Operating segment	Nature of operations and primary source of revenue	Geographical location
Australia – Online Advertising Services	Online Automotive Classifieds and Display Advertising Services.	Australia
Australia – Data, Research and Services	Automotive Data Services including software, analysis, research and reporting, valuation services, website development, hosting and photography services. This segment also includes display and consumer advertising related to these divisions.	Australia
Latin America (LATAM)	Online Automotive Classifieds and Display Advertising Services.	Brazil, Chile, Argentina and Mexico
Asia	Online Automotive Classifieds, Display Advertising Services and Automotive Data Services.	South Korea, Malaysia, Thailand, China and Indonesia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

1. Segment information continued

Segment analysis

2021	*Australia – Online Advertising Services \$'000	*Australia – Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
Segment revenue	295,790	40,392	6,686	84,296	427,164
EBITDA	173,302	25,943	(815)	43,060	241,490
Depreciation and amortisation					(40,218)
Net finance costs					(18,683)
Share of net profit from associates accounted for using the equity method					3,946
Income tax expense					(55,323)
Non-controlling interests					(508)
Profit for the year attributable to owners of carsales.com Ltd					130,704
Segment assets	223,586	16,930	78,331	463,005	781,852
Deferred tax assets					17,841
Cash and cash equivalents					284,004
Unallocated assets					79,894
Total assets					1,163,591

2020	*Australia - Online Advertising Services \$'000	*Australia - Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
Segment revenue	273,199	39,258	7,616	74,042	394,115
EBITDA	142,801	23,191	(4,685)	40,732	202,039
Depreciation and amortisation					(36,351)
Net finance costs					(14,334)
Changes in fair value of put options					7,228
Share of net profit from associates accounted for using the equity method					4,177
Fair value gain arising from discontinuing the equity method					9,753
Loss on disposal of subsidiary					(472)
Income tax expense					(50,205)
Loss from discontinued operations					(4,882)
Non-controlling interests					(2,285)
Profit for the year attributable to owners of carsales.com Ltd					114,668
Restated segment assets**	170,235	16,718	79,268	471,725	737,946
Deferred tax assets					15,704
Cash and cash equivalents					179,937
Unallocated assets					64,014
Total assets					997,601

* Revenue includes the impacts of the COVID-19 Dealer Support Package. Refer Note 2 for details.

** Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

Segment assets are measured in the same way as in the financial statements. Segment assets include goodwill, trade receivables, brands, customer relationships, property, plant and equipment, right-of-use assets, financial assets at fair value through other comprehensive income and investments accounted for using equity method. Unallocated assets include intangible and other assets utilised across multiple segments. All unallocated assets are assessed by the chief operating decision maker at a consolidated entity level.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

2. Revenue from contracts with customers

Accounting policy

The group derives revenue from the transfer of goods and services over time and at a point in time in the following product and reporting segment. 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, a contract liability is recognised.

Type of revenue	Reporting segment	Recognition criteria
<i>Dealer leads</i>	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.
<i>Dealer listings</i>	Online Advertising (Dealer) / LATAM / Asia	Dealer listings usually have a definite end date to the advertisement and where they do not, an average duration is calculated. Revenues are recognised over the period during which the listing is displayed on the carsales network.
<i>Listing depth products</i>	Online Advertising (Dealer / Private) / LATAM / Asia	Transaction value is allocated to customer service obligations based on the fair value and revenue is recognised over the period during which the product is displayed on the carsales network.
<i>Private listing</i>	Online Advertising (Private) / LATAM / Asia	Private listings remain effective until the consumer removes the advertisement. Revenues are recognised over the average number of days advertisements are displayed (based on historical trends).
<i>Bundled products</i>	Online Advertising (Dealer) / LATAM / Asia	Includes the combination of dealer advertising products and corporate media 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.
<i>Sponsorship advertising</i>	Online Advertising (Media) / 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.
<i>Performance advertising and contracts</i>	Online Advertising (Media) / LATAM / Asia	Revenues from performance advertising and performance contracts are recognised when the performance measure occurs and is generated (e.g. cost per click).
<i>Subscription services</i>	Online Advertising (Dealer / Media) / Data, Research and Services / LATAM / Asia	Subscription revenues are recognised over the subscription period.
<i>Sale of goods</i>	Online Advertising (Dealer / Private)	Revenues are recognised at a point in time when goods have been provided to a customer.
<i>Inspection services</i>	Online Advertising (Dealer / Private) / Asia	Revenue from vehicle inspection services are recognised when the inspection service is performed.
<i>R&D tax rebate</i>	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.

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:

	Australia – Online Advertising Services \$'000	Australia – Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
2021					
Dealer	170,303				
Private	78,471				
Media	47,016				
Total revenue from external customers	295,790	40,392	6,686	84,296	427,164
Revenue is recognised:					
At a point in time	171,555	7,970	507	25,403	205,435
Over time	124,235	32,422	6,179	58,893	221,729

As part of a Dealer Support Package offered to customers in response to COVID-19 during FY21, carsales provided a 100% rebate for all fixed and variable fees for Victorian Metropolitan dealer customers incurred during Stage 4 lockdown (6 Aug 2020 – 27 Oct 2020). The total support provided to dealers was \$10.6 million. Revenue above is net of these rebates.

	Australia – Online Advertising Services \$'000	Australia – Data, Research and Services \$'000	Latin America \$'000	Asia \$'000	Total \$'000
2020					
Dealer	146,407				
Private	77,822				
Media	48,970				
Total revenue from external customers	273,199	39,258	7,616	74,042	394,115
Revenue is recognised:					
At a point in time	157,650	9,330	225	22,110	189,315
Over time	115,549	29,928	7,391	51,932	204,800

As part of a Dealer Support Package offered to dealer customers in response to COVID-19 during FY20, carsales provided a rebate for all fixed and variable fees for dealer customers invoiced in April 2020, provided a 50% rebate on invoices in May 2020 and provided a 100% rebate on invoices relating to new car services in June 2020. The total support provided to dealers was \$27.5 million. Revenue above is net of these rebates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

3. Other income and expenses

Accounting Policy

(i) Defined benefit obligations

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) JobKeeper

Receipts from the Australian JobKeeper program are accounted for as government grants and are included in personnel expenses as a contra amount. There are no unfulfilled conditions or other contingencies attached to these grants.

(iii) Finance costs

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. 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. The unwinding of the discount on put option liabilities are recognised as a finance expense.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	2021 \$'000	2020 \$'000
Total profit before income tax includes the following specific expenses:		
Employee benefits	96,577	87,112
JobKeeper grants	(6,048)	(5,328)
Defined benefit expense - ENCARSALES.COM Ltd	1,198	1,167
Interest – borrowings	8,450	10,064
Interest – leases	1,577	1,848
Finance costs	2,929	970
Hedging costs	1,541	2,092
Amounts reclassified to income statement from Cash Flow Hedge Reserve (Note 9)	4,794	-
Total finance costs	19,291	14,974

4. Earnings per share

Accounting Policy

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 post 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 26.

(a) Reported earnings per share

	Basic earnings per share		Diluted earnings per share	
	2021	2020	2021	2020
Earnings per share for profit attributable to the ordinary equity holders of the Company:				
Reported profit attributable to equity holders of the Company	130,704,000	114,668,000	130,704,000	114,668,000
Weighted average number of ordinary shares	248,343,705	245,034,776	248,343,705	245,034,776
Dilutive impact of options	-	-	156,884	224,015
Dilutive impact of performance rights	-	-	379,307	316,166
Total weighted average number of ordinary shares used in EPS calculation	248,343,705	245,034,776	248,879,896	245,574,957
Reported earnings per share/cents	52.6	46.8	52.5	46.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

4. Earnings per share continued

(b) Adjusted earnings per share

	Basic earnings per share		Diluted earnings per share	
	2021	2020	2021	2020
Reported profit attributable to equity holders of the Company	130,704,000	114,668,000	130,704,000	114,668,000
Adjusted for: net result after tax from discontinued operations	-	5,275,000	-	5,275,000
Add: COVID-19 Dealer Support Package (net of tax)	7,456,000	19,284,000	7,456,000	19,284,000
Less: changes in fair value of put option liabilities and deferred consideration	-	(7,228,000)	-	(7,228,000)
Add: restructuring and M&A transaction costs (net of tax)	1,459,000	2,005,000	1,459,000	2,005,000
Add: hedge close-out	4,793,000	-	4,793,000	-
Add: one-off tax adjustment	1,306,000	3,727,000	1,306,000	3,727,000
Add: acquired intangibles amortisation (net of tax)	6,662,000	7,128,000	6,662,000	7,128,000
Add / Less: fair value revaluations (net of NCI)	400,000	(7,142,000)	400,000	(7,142,000)
Add: loss on disposal of subsidiary	-	472,000	-	472,000
Adjusted profit attributable to equity holders of the Company for continuing operations	152,780,000	138,189,000	152,780,000	138,189,000
Adjusted earnings per share/cents for continuing operations*	61.5	56.4	61.4	56.3

* The Directors believe the presentation of "adjusted earnings per share" provides the best measure to assess the performance of the Group by excluding significant one-off items of income and expense to arrive at an adjusted profit measure which reflects the underlying financial performance of the Group.

5. Income tax

Accounting Policy

The income tax expense or benefit 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 in the countries where the Company's subsidiaries and associates operate and generate taxable income. The Group 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 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. Where there are current and deferred tax balances attributable to amounts recognised directly in equity, they are also recognised directly in equity.

The Group parent 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.

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 all relevant recommended additional disclosures of Part A of the Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

5. Income Tax continued

Key Assumption/Accounting Estimates

Deferred tax assets relating to tax losses

The Group recognises deferred tax assets relating to carry forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxable authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

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 (R&D) 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.

(a) Income tax expense

	2021 \$'000	2020 \$'000
Current tax	61,920	53,502
Adjustments for current tax of prior periods	(1,564)	(2,320)
Deferred tax	(5,079)	(2,349)
Adjustments for deferred tax of prior periods	46	1,372
	55,323	50,205
Deferred income tax expense included in income tax expense comprises:		
Increase/(decrease) in deferred tax assets	(3,247)	2,117
(Decrease)/increase in deferred tax liabilities	(1,832)	(4,466)
	(5,079)	(2,349)

(b) Numerical reconciliation of income tax expense

	2021 \$'000	2020 \$'000
Profit from continuing operations before income tax expense	186,535	172,040
Tax at the Australian tax rate of 30.0% (2020 – 30.0%)	55,960	51,612
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income (R&D tax offset) (a)	(315)	(228)
Share options (b)	(597)	(284)
Non-taxable gain on put option revaluation (c)	-	(2,168)
Sundry items	1,809	92
Non-deductible amortisation	1,438	-
Adjustment for prior periods	(1,517)	(948)
Current year losses for which no deferred tax has been recognised or tax losses written off (d)	1,420	6,036
Tax relating to net profit from associates (e)	(1,184)	(1,370)
Non-taxable gains relating to associates (f)	-	(1,355)
Other assessable income	1,126	-
Withholding tax on distribution of foreign subsidiary profits (g)	-	1,508
Income tax differential (effect of foreign tax rates) (h)	(2,817)	(2,690)
Income tax expense	55,323	50,205

(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:

	2021 \$'000	2020 \$'000
Current tax – (credited) directly to equity	(588)	(587)
Net deferred tax – debited directly to equity (i)	1,139	67
	551	(520)

Explanation of key tax items:

- (a) Group's utilisation of research and development tax incentives.
- (b) Amount relating to the provision of equity incentives.
- (c) Amount relating to revaluation of put options.
- (d) Amount relating to tax losses for which a deferred tax asset has not been recognised. The majority of these losses may be carried forward for between 5 and 10 years. Also includes amount relating to the write-off of tax losses for which a deferred tax asset had previously been recognised.
- (e) The Group's share of associates' results taken up in Group results, net of tax expense.
- (f) Non-assessable gain derived on the revaluation or dilution of equity interests held in an associate.
- (g) Withholding tax paid/estimated to be payable on dividend distributions.
- (h) The Group's profits are taxed at prevailing statutory rates which vary to the Australian statutory tax rate (as noted in the table below).
- (i) Related to equity incentives, capitalised equity raising costs and cross-currency interest rate swap.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

5. Income Tax continued

Statutory tax rates:

Country	2021	2020
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%

(d) Effective tax rate

	2021 \$'000	2020 \$'000
Profit before income tax expense (A)	186,535	172,040
Income tax expense (B)	55,323	50,205
Effective tax rate (B/A)	30%	29%

The effective tax rate for 2021 was affected by net non-deductible items relating to the terminated cross-currency swaps, without which the effective tax rate for the year would have been 28%.

The effective tax rate for 2020 was affected by the non-taxable gains relating to associates, put options, tax losses not recognised and prior period over/under provisions, without which the effective tax rate for the year would have been 28%.

(e) Tax losses

	2021 \$'000	2020 \$'000
Unused tax losses for which no deferred tax asset has been recognised	23,525	18,952
Potential tax benefit	7,451	6,031

The unrecognised tax losses were incurred by loss making subsidiaries that are not likely to generate taxable income in the foreseeable future. They are carried forward for at least five years.

(f) 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	Derivatives \$'000	Other \$'000	Total \$'000
At 1 July 2020	3,758	1,910	733	703	(1,693)	2,155	4,254	3,884	15,704
(Charged) / credited to profit or loss	(397)	153	(75)	3,808	(1,386)	2	-	1,142	3,247
Credited / (charged) directly to equity	-	46	-	-	-	-	(4,254)	3,069	(1,139)
Exchange differences	(33)	-	-	-	-	62	-	-	29
At 30 June 2021	3,328	2,109	658	4,511	(3,079)	2,219	-	8,095	17,841
At 1 July 2019	3,658	907	688	1,516	(1,454)	5,430	5,234	2,568	18,547
(Charged) / credited to profit or loss	140	91	45	(813)	(239)	(2,655)	-	1,316	(2,115)
Credited / (charged) directly to equity	-	912	-	-	-	-	(980)	-	(68)
Exchange differences	(40)	-	-	-	-	(620)	-	-	(660)
At 30 June 2020	3,758	1,910	733	703	(1,693)	2,155	4,254	3,884	15,704
							2021 \$'000	2020 \$'000	
Deferred tax assets expected to be recovered within 12 months							10,977	7,904	
Deferred tax assets expected to be recovered after more than 12 months							6,864	7,800	
							17,841	15,704	

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 deferred tax asset on the unrealised derivative liability, in both FY19 and FY20, directly into equity (against the cash flow and net investment hedge reserves).

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5. Income Tax continued

(g) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Intangibles \$'000	Fair Value Investment \$'000	Derivatives \$'000	Withholding Tax \$'000	Total \$'000
At 1 July 2020	15,564	-	-	-	15,564
Credited to profit or loss	(1,832)	-	-	-	(1,832)
Credited directly to equity	-	4,911	10,098	-	15,009
Acquired intangibles	3,529	-	-	-	3,529
Exchange differences	(495)	-	-	-	(495)
At 30 June 2021	16,766	4,911	10,098	-	31,775
At 1 July 2019	17,461	-	-	3,467	20,928
Credited to profit or loss	(1,116)	-	-	(3,350)	(4,466)
Exchange differences	(781)	-	-	(117)	(898)
At 30 June 2020	15,564	-	-	-	15,564
				2021 \$'000	2020 \$'000
Deferred tax liabilities expected to be settled within 12 months				11,930	1,116
Deferred tax liabilities expected to be settled after more than 12 months				19,845	14,448
				31,775	15,564

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

	2021 \$'000	2020 \$'000
Profit for the year	131,212	116,953
Depreciation and amortisation	40,218	36,351
Impairment loss (discontinued operations – Note 20)	-	4,450
Non-cash employee benefits expense – share-based payments	3,001	3,480
Loss on disposal of assets	260	112
Profit on termination of leases	-	(74)
Net finance related costs	18,683	14,844
Fair value gain arising from discontinuing the equity method	-	(9,753)
Share of net profit from associates accounted for using the equity method	(3,946)	(4,177)
Loss on disposal of subsidiaries	-	1,676
Bad debts written-off	(401)	133
Changes in fair value of put options	-	(7,228)
Building refurbishment incentive income	(597)	-
Adjustments relating to purchase of non-controlling interests and subsidiaries	(323)	-
Foreign exchange differences	208	(39)
Change in operating assets and liabilities:		
Decrease in trade debtors	1,814	11,993
(Increase) in inventory	-	(281)
(Increase) / decrease in deferred tax assets	(2,690)	3,941
Increase / (decrease) in trade creditors and other liabilities	8,100	(8,915)
Increase in contract liabilities	332	3,365
Increase in provision for income taxes payable	1,785	10,732
(Decrease) in deferred tax liabilities	(1,248)	(6,594)
Increase in other provisions	1,873	472
Net cash inflow from operating activities	198,281	171,441

The reconciliation of profit after income tax to net cash inflow from operating activities in FY20 includes both continuing and discontinued operations.

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FINANCING AND RISK MANAGEMENT

This section 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.

7. Borrowings

Accounting policy

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 in the period in which the expense is incurred.

	2021 \$'000	2020 \$'000
Current borrowings	35	174
Non-current borrowings	43,195	544,070
	43,230	544,244

At 30 June 2021 carsales.com Ltd had a syndicated revolving loan facility and established a \$900.0 million debt facility under a Common Terms Deed (CTD) documentation structure as follows:

Facility	Commitment \$'000	Drawn at close \$'000	Maturity date
Tranche A	690,000	-	5 July 2024
Tranche B	210,000	45,000	4 July 2023
Total	900,000	45,000	

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

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.

The Group has complied with all debt covenants throughout the reporting period.

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

Floating rate	2021 \$'000	2020 \$'000
- Expiring within one year	-	-
- Expiring within two to five years	855,000	-
	855,000	-

During the year, the Company refinanced its facilities which increased the existing Tranche A facilities by \$355.0 million and extended the maturity date to 5 July 2024.

On 5 July 2021, the \$45.0 million drawn down amount was repaid to the Tranche B financiers.

Bank guarantee facility

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are \$2.4 million (2020: \$2.4 million).

8. Changes in assets and liabilities arising from financing activities

The table below shows cash and non-cash changes in assets and liabilities for which cash flows were, or will be, classified as financing activities in the Consolidated Statement of Cash Flows.

This disclosure, which is a requirement of *AASB 107 Statement of Cash Flows*, allows users to understand changes in the balance of certain liabilities such as borrowings. It also includes certain assets where cash flows have been, or will be, included in cash flows from financing activities. The disclosure identifies changes from cash flows as well as non-cash changes such as acquisitions, movement in fair value and exchange differences.

	Liabilities from financing activities			Other financial liabilities/assets		Total \$'000
	Borrowings \$'000	Lease liabilities \$'000	Other financial liabilities \$'000	Derivative (liabilities)/ assets \$'000	Other finance receivables / (payables) \$'000	
2021						
Opening balance	(544,244)	(60,971)	-	(14,179)	(899)	(620,293)
Net cash flows from financing activities	500,298	8,242	-	4,772	2,322	515,634
Acquisitions – leases	-	(4,263)	-	-	-	(4,263)
Modification – leases	-	(6,487)	-	-	-	(6,487)
Termination – leases	-	270	-	-	-	270
Finance costs	-	-	-	-	(1,423)	(1,423)
Fair value through OCI (including tax)	-	-	-	43,065	-	43,065
Fair value through profit or loss	-	-	-	-	-	-
Foreign exchange adjustments	-	(143)	-	-	-	(143)
Other changes	716	-	(1,172)	-	-	(456)
Movement in liabilities directly associated with assets classified as held for sale	-	-	-	-	-	-
Closing balance	(43,230)	(63,352)	(1,172)	33,658	-	(74,096)

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8. Changes in assets and liabilities arising from financing activities continued

	Liabilities from financing activities			Other financial liabilities/assets		Total \$'000
	Borrowings \$'000	Lease liabilities \$'000	Other financial liabilities \$'000	Derivative (liabilities)/ assets \$'000	Other finance receivables/ (payables) \$'000	
2020						
Opening balance	(474,562)	(63,713)	(9,538)	(17,445)	296	(564,962)
Net cash flows from financing activities	(69,877)	6,826	-	-	897	(62,154)
Acquisitions – leases	-	(2,681)	-	-	-	(2,681)
Modification – leases	-	(1,538)	-	-	-	(1,538)
Termination – leases	-	331	-	-	-	331
Finance costs	-	-	-	-	(2,092)	(2,092)
Fair value through OCI (including tax)	-	-	-	3,266	-	3,266
Fair value through profit or loss	-	-	9,538	-	-	9,538
Foreign exchange adjustments	-	158	-	-	-	158
Other changes	(112)	-	-	-	-	(112)
Movement in liabilities directly associated with assets classified as held for sale	307	(354)	-	-	-	(47)
Closing balance	(544,244)	(60,971)	-	(14,179)	(899)	(620,293)

9. Financial assets and liabilities and fair value measurement

Accounting Policy

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 gain or loss on the hedging instrument that has been accumulated in the FCTR 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 as:

- 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 the cross-currency interest rate swaps are excluded from the designation of that financial instrument as the hedging instrument. Changes in fair value of the foreign currency basis spread of the financial instrument is accumulated in the CFHR, and is amortised to profit or loss on a rational basis over the term of the hedging item.

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 swaps, 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.

For the 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less the loss allowance. Due to the short-term nature of the receivables, the carrying amount is assumed to approximate their fair value. The balance of trade and other receivables are disclosed in Note 14.

Financial assets at fair value through other comprehensive income

Refer Note 19(d) for the accounting policy on financial assets at fair value through other comprehensive income.

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9. Financial assets and liabilities and fair value measurement continued

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

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;

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

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	2021 \$'000	2020 \$'000
Quoted equity instrument	Measured at fair value through OCI	1	35,267	13,601
Derivative financial liabilities	Measured at fair value through OCI	2	-	(14,179)
Derivative financial assets	Measured at fair value through OCI	2	33,658	-
Unquoted financial assets	Measured at fair value through OCI	3	14,262	27,117
Other financial liabilities	Measured at fair value through profit or loss	3	(1,172)	-

a) Valuation techniques used to determine fair values

Level 1

- This balance represents the investments in iCar Asia Limited and Plenti Group Ltd (formerly 'RateSetter Australia Pty Ltd') which are listed on the Australian Securities Exchange ("ASX") and therefore have a readily determinable market value.

Level 2

- The balance at 30 June 2021 represents forward foreign exchange contracts held. The forward exchange contracts are valued at the present value of future cash flows based on the forward exchange rates at the balance sheet date. The prior year balance represented the AUD:KRW Non-Deliverable Cross-Currency Interest Swaps (CCIS) that were closed out during FY21. The swaps were independently valued at balance date based on the contracted fixed interest rate and the market forward interest rate.

Level 3

- Investments in unquoted financial assets measured at fair value through other comprehensive income include: PromisePay Pte Ltd (\$2.2 million), mx51 Group Pty Ltd (\$2.0 million) and other equity investments (\$10.0 million). The fair value of the investment in PromisePay Pte Ltd is based on the independent valuation performed at June 2020. In relation to mx51 Group Pty Ltd, a strategic investor injected capital in the Group during the year.
- The value of put option recognised at fair value is \$1.2 million (2020: nil). The put option valuation was based on contractual multiple of future earnings of the acquired subsidiary for a defined period and was valued at financial year end based on forecast of earnings for the acquired subsidiary. There was no movement in the fair value of put option during FY21 to be recognised in the profit or loss (2020: \$7.2 million).

Plenti Group Ltd was transferred from Level 3 to Level 1 during the year following its listing on the ASX.

b) Valuation processes

The Group finance department 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 group finance department 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:

- Unquoted financial assets – latest capital raising and independent valuations.
- Put option liabilities – earnings growth factor and risk adjusted discount rate.

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.

c) Derivative assets and liabilities

In May 2021, the Group entered into forward foreign exchange contracts for USD with a total notional value of \$812.8 million and a maturity of December 2021. These contracts have been designated as a cash flow hedge to protect against foreign exchange fluctuations relating to the investment in Trader Interactive. Refer Note 24 for more details.

In the prior year, the Company held AUD:KRW Non-Deliverable Cross-Currency Swaps with the syndicate banking group with a total notional value of \$335.0 million, with \$125.0 million having a maturity of three years and \$210.0 million a maturity of five years. These derivative instruments swapped AUD floating rates with South Korean Won fixed rates, thus synthetically creating \$335.0 million of fixed rate debt. The swaps hedged the variability in floating interest rates on bank debt and fluctuations in exchange rates relating to carsales net investment in ENCARSALES.COM Ltd. During the year, these swaps were all closed out resulting in a net cash inflow of \$4.8 million, and \$4.8 million was recycled from the cash flow hedge reserve to the income statement as a finance cost.

The following tables detail information regarding forward foreign exchange (FX) contracts and 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 (CFH) reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gains or 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	Change in value of hedging instrument \$'000	Change in value of hedged item \$'000	CFH Reserve opening balance before tax Dr/(Cr) \$'000	Movement in CFH Reserve Dr/(Cr) \$'000	Closing CFH Reserve before tax Dr/(Cr) \$'000
2021							
Cash flow hedges							
Cross-currency interest rate swap	-	-	-	-	19,156	(7,780)	11,376
Forward foreign exchange contracts	812,845	33,658	33,658	33,658	-	(33,658)	(33,658)
Net investment hedge							
Cross-currency interest rate swap	-	-	-	-	n/a	n/a	n/a
Total	812,845	33,658	33,658	33,658	19,156	(41,438)	(22,282)

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9. Financial assets and liabilities and fair value measurement continued

2020	Current notional amount \$'000	Carrying amount of hedging instrument Assets/ (Liabilities) \$'000	Change in value of hedging instrument \$'000	Change in value of hedged item \$'000	CFH Reserve opening balance before tax Dr/(Cr) \$'000	Movement in CFH Reserve Dr/(Cr) \$'000	Closing CFH Reserve before tax Dr/(Cr) \$'000
Cash flow hedges							
Cross-currency interest rate swap	335,000	(19,243)	(1,225)	(1,305)	18,018	1,138	19,156
Net investment hedge							
Cross-currency interest rate swap	335,000	5,064	4,490	4,490	n/a	n/a	n/a
Total	670,000	(14,179)	3,265	3,185	18,018	1,138	19,156

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

2021	Weighted Average of the Hedging Instrument			
	< 1 year	1 - 2 years	2 - 5 years	Over 5 years
Forward foreign exchange contracts				
Average contracted FX rate (AUD/USD)	0.7812	-	-	-
Average notional amount (\$ million)	812.8	-	-	-
Cross-currency interest rate swap				
Average contracted FX rate (AUD/KRW)	-	-	-	-
Average contracted fixed interest rate (%)	-	-	-	-
Average notional amount (\$ million)	-	-	-	-

2020	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)	827.8	827.8	828.1	-
Average contracted fixed interest rate (%)	1.4	1.4	1.5	-
Average notional amount (\$ million)	335	335	214	-

For details of hedge sensitivity to changes in key market inputs, refer to Note 10.

10. Financial risk management

Accounting Policy

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.

The Company's exposure to interest rate risk is discussed below.

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 focusses 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 leaders.

(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 US Dollar (USD), 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.

Risk management policy

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. Trading and dividend cash flows between associates, subsidiaries and the Group are not hedged unless the cash flows are significant and the amount and future payment date are certain.

Material arrangements in place at reporting date

In May 2021, the Group entered into forward foreign exchange contracts for USD with a total notional value of \$813.0 million and a maturity of December 2021. These contracts have been designated as a cash flow hedge to protect against foreign exchange fluctuations relating to the investment in Trader Interactive which will complete in FY22, refer Note 24 for more details.

In the prior period, the Company held AUD:KRW Non-Deliverable Cross-Currency Swaps with the syndicate banking group with a total notional value of \$335.0 million, with \$125.0 million having a maturity of three years and \$210.0 million a maturity of five years. During the year, these swaps were all closed out.

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10. Financial risk management continued

Material exposures and sensitivity

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 (excluding derivatives in separate table below):

		2021 \$'000 -5%	2020 \$'000 -5%	2021 \$'000 +5%	2020 \$'000 +5%
Impact on profit:					
AUD to KRW	(+5% to -5%)	1,052	843	(1,052)	(843)
AUD to BRL	(+5% to -5%)	193	244	(193)	(244)
AUD to MXP	(+5% to -5%)	(124)	(181)	124	181
AUD to CLP	(+5% to -5%)	9	(40)	(9)	40
AUD to ARS	(+5% to -5%)	(38)	(83)	38	83
Net Movement		1,092	783	(1,092)	(783)
Impact on equity:					
AUD to KRW	(+5% to -5%)	21,408	20,770	(21,408)	(20,770)
AUD to BRL	(+5% to -5%)	2,551	2,326	(2,551)	(2,326)
AUD to MXP	(+5% to -5%)	(897)	(675)	897	675
AUD to CLP	(+5% to -5%)	248	288	(248)	(288)
AUD to ARS	(+5% to -5%)	(30)	136	30	(136)
Net Movement		23,280	22,845	(23,280)	(22,845)

Hedge Sensitivity

Management has also calculated the impact on the balance sheet for the year as a result of a +/- 5% variance change in the forward foreign exchange contracts and the Cross-Currency Interest Rate Swap below (a positive impact means a reduction in the carrying value of the liability and a negative impact means an increase in the carrying value of the liability).

	2021 \$'000	2020 \$'000
Forward foreign exchange contracts		
AUD/USD		
+ 5%	(40,269)	-
- 5%	44,512	-
Cross-Currency Interest Rate Swap		
AUD/KRW		
+ 5%	-	16,465
- 5%	-	(18,186)

(ii) Price risk

The Group's exposure to equity securities price risk arises from the 11.4% investment in iCar Asia Limited and the 9.5% of Plenti Group Ltd held by the Group and classified in the balance sheet as a financial asset at fair value through other comprehensive income (see Note 19(d)). Changes in the fair value are recognised directly in other comprehensive income as an irrevocable election was made by the Group on adoption of AASB 9 *Financial Instruments*.

A movement in the value of these assets upwards or downwards by 5% would increase or decrease the carrying value by \$1.8 million with a corresponding debit or credit recognised in other comprehensive income.

Other than the investments above, 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 and from its financing activities, including deposits with financial institutions.

Risk management policy

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which may include an assessment of their financial position, past experience and industry reputation, depending on the amount of credit to be granted.

Receivables balances are monitored on an ongoing basis. The Group applies the AASB 9 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 reporting date 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.

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.

Material arrangements in place at the reporting date

The net trade receivables balance at 30 June 2021 was \$39.3 million (2020: \$37.4 million). See below for the aging profile of net trade receivables.

Note	2021 \$'000			2020 \$'000		
	Gross Receivables*	Expected loss rate	Loss allowance**	Gross Receivables*	Expected loss rate	Loss allowance**
Current	36,233	0-0.5%	29	34,154	0-0.5%	26
More than 30 days past due	2,463	1.0%	24	843	1.0%	22
More than 60 days past due	585	2.5-5.0%	29	1,089	2.5-5.0%	21
More than 90 days past due	295	7.5-10%	22	320	7.5-10%	39
More than 120 days past due	196	50-80%	118	1,532	50-80%	542
More than 180 days past due	2,119	80-100%	2,411	2,408	80-100%	2,275
Total	14	41,891	2,633	40,346		2,925

* Gross receivables includes unapplied credits.

** Loss allowance is calculated on gross receivables balance excluding unapplied credits.

The loss allowance for trade receivables as at 30 June reconciles to the opening loss allowance as follows:

	2021 \$'000	2020 \$'000
Opening loss allowance as at 1 July	2,925	2,960
Increase in loss allowance recognised in profit or loss during the year	476	555
Receivables written off during the year as uncollectible	(768)	(590)
Closing loss allowance at 30 June	2,633	2,925

Trade receivables are written-off when there is no reasonable expectation of debt 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.

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30 June 2021

10. Financial risk management continued

Material exposures and sensitivity

The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets.

(c) Interest rate risk

The consolidated entity's exposure to the cash flow risk of changes in market interest rates relates primarily to cash at bank and long-term borrowings. Cash and cash equivalents draw interest at variable interest rates.

Risk management policy

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.

Material arrangements in place at the reporting date

The Group has \$45.0 million (2020: \$545.0 million) variable rate borrowings at a weighted average interest rate of 1.6% (2020: 1.6%). 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.

Material exposures and sensitivity

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

	Note	Carrying amount \$'000	Interest rate risk			
			-100 bps		+100 bps	
			Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000
At 30 June 2021						
Financial assets						
Cash and cash equivalents		284,004	(1,754)	(1,754)	1,754	1,754
Financial liabilities						
Variable rate borrowings	7	(45,000)	4,407	4,407	(4,407)	(4,407)
Total increase/(decrease)			2,653	2,653	(2,653)	(2,653)
At 30 June 2020						
Financial assets						
Cash and cash equivalents		179,937	(1,120)	(1,120)	1,120	1,120
Financial liabilities						
Variable rate borrowings	7	(545,000)	4,870	4,870	(4,870)	(4,870)
Total increase/(decrease)			3,750	3,750	(3,750)	(3,750)

Management also calculated the impact on the carrying value of the hedge liability in the event of a +/- 100 bps change in interest rates (a positive impact means a reduction in the carrying value of the liability and a negative impact means an increase in the carrying value of the liability). The impact in the current year is nil as the interest rate swaps were closed out during the year ended 30 June 2021:

	2021 \$'000	2020 \$'000
Cross-Currency Interest Rate Swap		
AUD BBSY		
+ 100 bps	-	(18)
- 100 bps	-	21
KRW KORIBOR		
+ 100 bps	-	7,639
- 100 bps	-	(7,882)

(d) Liquidity risk

Prudent liquidity risk management entails 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.

Risk management policy

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains borrowing facilities to enable the Group to borrow funds when necessary.

Material arrangements in place at reporting date

	2021 \$'000	2020 \$'000
Borrowings (Note 7)	43,230	544,244
Derivative liabilities (Note 9)	-	14,179
Lease liabilities (Note 16)	63,352	60,971
Less: cash and cash equivalents	(284,004)	(179,937)
Net debt	(177,422)	439,457

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30 June 2021

10. Financial risk management continued

Material exposures – Contractual 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.

	0 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
At 30 June 2021						
Non-derivatives						
Non-interest bearing payables	38,862	-	245	-	39,107	39,107
Variable rate borrowings	-	-	45,163	-	45,163	43,195
Fixed rate borrowings	46	-	-	-	46	35
Lease liabilities	8,239	7,656	17,729	38,557	72,181	63,352
Other financial liabilities	-	-	1,172	-	1,172	1,172
Total non-derivatives	47,147	7,656	64,309	38,557	157,669	146,861
Derivatives						
Forward foreign exchange contracts	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-
At 30 June 2020						
Non-derivatives						
Non-interest bearing payables	29,617	-	204	-	29,821	29,821
Variable rate borrowings	-	335,587	210,184	-	545,771	543,911
Fixed rate borrowings	271	174	-	-	445	333
Lease liabilities	7,989	6,083	14,691	43,116	71,879	60,971
Total non-derivatives	37,877	341,844	225,079	43,116	647,916	635,036
Derivatives						
Cross-currency interest rate swap	-	-	14,179	-	14,179	14,179
Total derivatives	-	-	14,179	-	14,179	14,179

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.

EQUITY

This section provides information about the capital management practices of the business.

11. Contributed equity

Accounting Policy

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.

Movement in ordinary fully paid shares during the period	Number of shares	\$'000
Balance at 1 July 2020	245,613,817	149,817
Exercise of options and performance rights under the carsales.com Ltd Employee Option Plan	540,755	4,563
Dividend Reinvestment Plan	513,916	9,860
Capital raised	35,298,094	600,068
Less: transaction costs arising on share issues	-	(12,787)
Deferred tax credit recognised directly in equity	-	3,836
Balance at 30 June 2021	281,966,582	755,357
Balance at 1 July 2019	244,347,196	135,372
Exercise of options and performance rights under the carsales.com Ltd Employee Option Plan	536,528	4,493
Dividend Reinvestment Plan	730,093	9,952
Balance at 30 June 2020	245,613,817	149,817

The purpose of the capital raised was to finance the 49% acquisition of Trader Interactive due to complete in FY22. Refer to Note 24 for more details. At year end the funds raised were used to repay borrowings, prior to the transaction completing.

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 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

12. Reserves

Nature and purpose of reserves

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

Exchange differences arising on translation of the foreign operations are taken to the **foreign currency translation reserve**, as described in Note 27 and accumulated within a separate reserve within equity. The reserve is recognised in profit or loss when the net investment is disposed of.

The Group had 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 in the **NCI acquisition reserve**. 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.

The Group also had a **cash flow hedge reserve** and **net investment hedge reserve**. Refer to Note 9 and 10 for more details.

(a) Reserves

	Share-based payment \$'000	Foreign currency translation \$'000	Post-employment benefits \$'000	Financial asset FVOCI \$'000	NCI acquisition \$'000	Cash flow hedge \$'000	Net investment hedge \$'000	Other Reserves \$'000	Total reserves \$'000
Balance at 1 July 2020	29,834	(29,493)	(376)	1,647	(38,587)	(13,409)	(848)	(5,021)	(56,253)
<i>Items that may be classified to profit or loss</i>	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	(11,803)	-	-	-	-	-	-	(11,803)
Remeasurement of post-employment benefit obligations	-	-	251	-	-	-	-	-	251
Gain on cash flow hedge	-	-	-	-	-	25,593	-	-	25,593
Gain on net investment hedge	-	16,730	-	-	-	-	846	-	17,576
<i>Items that will not be reclassified to profit or loss</i>									
Changes in financial assets at fair value through other comprehensive income	-	-	-	2,139	-	-	-	-	2,139
Total comprehensive income for the year	-	4,927	251	2,139	-	25,593	846	-	33,756
Transactions with owners in their capacity as owners:									
Increase in share-based payment reserve inclusive of tax	3,633	-	-	-	-	-	-	-	3,633
Transaction with non-controlling interests	-	-	-	-	(2,099)	-	-	-	(2,099)
Balance at 30 June 2021	33,467	(24,566)	(125)	3,786	(40,686)	12,184	(2)	(5,021)	(20,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. Reserves continued

	Share-based payment \$'000	Foreign currency translation \$'000	Post-employment benefits \$'000	Financial asset FVOCI \$'000	NCI acquisition \$'000	Cash flow hedge \$'000	Net investment hedge \$'000	Other reserves \$'000	Total reserves \$'000
Balance at 1 July 2019	25,442	(1,057)	607	(2,320)	(39,753)	(12,163)	(450)	-	(29,694)
<i>Items that may be reclassified to profit or loss</i>	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	(32,366)	-	-	-	-	-	-	(32,366)
Remeasurement of post-employment benefit obligations	-	-	(983)	-	-	-	-	-	(983)
Movement in cash flow hedge net of tax	-	-	-	-	-	(1,246)	-	-	(1,246)
Movement in net investment hedge net of tax	-	3,930	-	-	-	-	(398)	-	3,532
<i>Items that will not be reclassified to profit or loss</i>									
Changes in financial assets at fair value through other comprehensive income	-	-	-	3,967	-	-	-	-	3,967
Total comprehensive income for the year	-	(28,436)	(983)	3,967	-	(1,246)	(398)	-	(27,096)
Transactions with owners in their capacity as owners:									
Increase in share-based payment reserve inclusive of tax	4,392	-	-	-	-	-	-	-	4,392
Transactions with non-controlling interests	-	-	-	-	1,166	-	-	(5,021)	(3,855)
Balance at 30 June 2020	29,834	(29,493)	(376)	1,647	(38,587)	(13,409)	(848)	(5,021)	(56,253)

13. Dividends

Accounting Policy

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.

	FY 2021 \$'000	FY 2020 \$'000
The dividends were proposed / payable as follows:		
Interim dividend paid for the half year ended 31 December – fully franked at the tax rate of 30%	61,597	53,959
Final dividend proposed / paid for the year ended 30 June – fully franked at the tax rate of 30%	63,442	61,523
	125,039	115,482
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan		
Paid in cash	56,713	106,857
Satisfied by issue of shares	4,884	8,625
Proposed but not yet paid or issued	63,442	-
	125,039	115,482
	Cents per share	Cents per share
Interim dividend paid for the half year 31 December	25.0	22.0
Final dividend declared / paid for the year ended 30 June	22.5	25.0

The group has \$20.4 million of franking credits as at 30 June 2021 (2020: \$25.3 million).

Dividend Reinvestment Plan (DRP)

The carsales.com Ltd DRP will be maintained for the 2021 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 20 September 2021. The last date for shareholders to nominate their participation in the DRP is 5:00pm (AEST) on 21 September 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

OTHER ASSETS AND LIABILITIES

This section provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk.

14. Trade and other receivables

Accounting Policy

(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 the loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 10.

(b) Accrued income

Services provided in the current reporting period are recognised on an 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.

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 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 10.

	2021 \$'000	2020 \$'000
Current assets		
Trade receivables	41,891	40,346
Loss allowance (see Note 10)	(2,633)	(2,925)
Trade receivables	39,258	37,421
Accrued income	624	4,049
Other receivables	2,850	6,496
Prepayments	4,023	5,076
Trade and other receivables	46,755	53,042
Non-current assets – other receivables	10,317	7,096

15. Property, plant and equipment

Accounting Policy

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 expenses are charged to the profit or loss during the financial period in which they are incurred.

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.

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:

- Motor vehicles 3 – 5 years
- Plant and equipment 3 – 10 years
- Leasehold improvements 3 – 10 years or minimum lease period if shorter

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30 June 2021

15. Property, plant and equipment continued

	Plant and equipment \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2021				
Opening net book amount	3,068	819	9,873	13,760
Additions	2,103	211	1,742	4,056
Disposals	(5)	(134)	-	(139)
Depreciation charge	(1,713)	(361)	(3,224)	(5,298)
Exchange differences	(52)	(7)	(134)	(193)
Closing net book amount	3,401	528	8,257	12,186
At 30 June 2021				
Cost	14,022	1,663	22,846	38,531
Accumulated depreciation	(10,621)	(1,135)	(14,589)	(26,345)
Net book amount	3,401	528	8,257	12,186
Year ended 30 June 2020				
Opening net book amount	2,921	1,217	6,374	10,512
Additions	2,105	197	6,713	9,015
Disposals	(171)	(117)	-	(288)
Depreciation charge	(1,610)	(474)	(3,150)	(5,234)
Exchange differences	(177)	(4)	(64)	(245)
Closing net book amount	3,068	819	9,873	13,760
At 30 June 2020				
Cost	12,390	1,775	21,356	35,521
Accumulated depreciation	(9,322)	(956)	(11,483)	(21,761)
Net book amount	3,068	819	9,873	13,760

16. Leases

The Group leases properties (commercial office premises and retail properties), motor vehicles and equipment. The Group's leases are typically for fixed periods between two to fifteen years and may include extension options. Lease terms are negotiated on an individual lease basis and may contain a wide range of different terms and conditions. None of the Group's lease agreements impose any covenants, however leased assets may not be used as security for borrowing purposes.

Payments made under operating leases, less any incentives received from the lessor, were previously charged to profit or loss on a straight-line basis over the period of the lease pursuant to the requirements of AASB 117. In applying AASB 16, a right-of-use asset representing the right to use the underlying asset and a corresponding lease liability representing the obligation to make lease payments are recognised at the date at which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability;
- any lease payments made in advance of the lease commencement date less any incentives received;
- any initial direct costs; and
- an estimate of any costs to dismantle and remove the asset at the end of the lease.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use assets for impairment when such indicators exist.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease where that rate is readily available or using the Group's incremental borrowing rate at the time the lease was entered into.

Lease payments included in the measurement of the lease liability consist:

- fixed payments less any incentives receivable;
- variable payments based on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest incurred. The liability is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, a corresponding adjustment is made to the value of the right-of-use asset.

Deferred tax accounting

Lease payments are generally deductible whilst interest and depreciation expenses on these leases remain non-deductible. As a result, a net deferred tax asset has been recognised in relation to the temporary differences arising from the right-of-use assets and lease liabilities.

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:

- | | |
|------------------------------|--------------------------|
| • Properties | Expected lease period |
| • Motor vehicles | Contractual lease period |
| • Leased plant and equipment | Contractual lease period |

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30 June 2021

16. Leases continued

Key Assumption/Accounting Estimates

Extension and termination options are included in a number of the Group's property leases. The extension and termination options are exercisable only by the Group and not by the respective lessor. In determining the lease term, which forms part of the initial measurement of the right-of-use asset and lease liability, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant when assessing the extension options on the property lease:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease duration and the costs and business disruption required to replace the leased properties.

Most extension options in properties have been included in the lease liability because the Group could not replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or change in circumstances occurs, which affects this assessment and that is within the control of the lessee Group.

Right-of-use assets:

	Right-of-use Properties \$'000	Right-of-use Motor vehicles / Equipment \$'000	Total \$'000
Year ended 30 June 2021			
Opening net book amount	52,063	898	52,961
Additions	4,025	238	4,263
Terminations	(236)	-	(236)
Remeasurement of lease modification	6,487	-	6,487
Depreciation charge	(7,007)	(602)	(7,609)
Exchange differences	(252)	-	(252)
Closing net book amount	55,080	534	55,614
At 30 June 2021			
Cost	89,689	2,934	92,623
Accumulated depreciation	(34,609)	(2,400)	(37,009)
Net book amount	55,080	534	55,614

	Right-of-use Properties* \$'000	Right-of-use Motor vehicles/ Equipment \$'000	Total \$'000
Year ended 30 June 2020			
Opening net book amount	55,632	1,034	56,666
Additions	2,093	588	2,681
Terminations	(303)	-	(303)
Remeasurement of lease modification	1,622	-	1,622
Depreciation charge	(6,930)	(718)	(7,648)
Exchange differences	(51)	(6)	(57)
Closing net book amount	52,063	898	52,961
At 30 June 2020			
Cost	79,674	2,733	82,407
Accumulated depreciation	(27,611)	(1,835)	(29,446)
Net book amount	52,063	898	52,961

* Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

Lease Liabilities:

	2021 \$'000	2020 \$'000
Year ended 30 June		
Opening lease liabilities	60,971	63,713
Additions	4,263	2,681
Terminations	(270)	(331)
Remeasurement of lease modification	6,487	1,538
Lease payments	(9,819)	(8,320)
Interest charge	1,577	1,848
Exchange differences	143	(158)
Closing lease liabilities	63,352	60,971
At 30 June		
Current lease liabilities	6,636	6,638
Non-current lease liabilities	56,716	54,333
Total lease liabilities	63,352	60,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 June 2021

17. Intangible assets

Accounting Policy

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.

Computer software

Software includes capitalised development costs being an internally generated intangible asset.

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 four years. Internally capitalised labour costs are treated as an investing cash outflow in the consolidated statement of cash flows.

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.

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 7-12 years.

The following intangible assets have finite lives and are subject to amortisation on a straight-line basis. The useful lives for these assets are as follows:

- Computer software 4 years
- Brands 10 years
- Customer relationships 7-12 years
- Other (domain names and database) 5-10 years

	Goodwill \$'000	Computer software \$'000	Brands and customer relationships \$'000	Other intangible assets* \$'000	Total \$'000
Year ended 30 June 2021					
Opening net book amount	477,633	39,480	65,684	389	583,186
Additions	11,294	31,531	9,934	1,122	53,881
Disposals	-	(1,694)	-	-	(1,694)
Goodwill impairment	(520)	-	-	-	(520)
Amortisation charge	-	(18,787)	(8,057)	(52)	(26,896)
Exchange differences	(8,399)	(491)	(422)	(911)	(10,223)
Closing net book amount	480,008	50,039	67,139	548	597,734
At 30 June 2021					
Cost	480,528	117,713	96,117	5,014	699,372
Accumulated amortisation and impairment	(520)	(67,674)	(28,978)	(4,466)	(101,638)
Net book amount	480,008	50,039	67,139	548	597,734
	Goodwill \$'000	Computer Software** \$'000	Brands and customer relationships \$'000	Other intangible assets* \$'000	Total \$'000
Year ended 30 June 2020					
Opening net book amount	490,069	32,231	76,208	409	598,917
Additions	-	23,788	-	3	23,791
Disposals	(1,251)	(1,475)	-	-	(2,726)
Amortisation charge	-	(15,060)	(8,333)	(76)	(23,469)
Exchange differences	(11,185)	(4)	(2,191)	53	(13,327)
Closing net book amount	477,633	39,480	65,684	389	583,186
At 30 June 2020					
Cost	477,633	88,845	87,051	4,926	658,455
Accumulated amortisation and impairment	-	(49,365)	(21,367)	(4,537)	(75,269)
Net book amount	477,633	39,480	65,684	389	583,186

* Other in tangible assets include database, domain names and other

** Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies..

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17. Intangible assets continued

(a) Impairment testing

Key Assumption/Accounting Estimates

Goodwill and intangible assets that have an indefinite useful life are allocated to a cash-generating unit ('CGU') or a group of CGUs and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, which includes carsales' interests in associates. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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.

The key assumptions and estimates used in management's calculations primarily relate to:

- Five or 10-year cash flow forecasts sourced from internal budgets and long-term forecasts;
- terminal value growth rates applied to the period beyond the five to 10-year cash flow forecasts; and
- post-tax discount rates, used to discount the cash flows to present value.

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.

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.

Cash generating units

Goodwill is allocated to the Group's cash generating units (CGUs) which are then 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 and CGU-level summary of the goodwill allocation is presented below.

	2021 \$'000	2020 \$'000
Australia – Online Advertising Services Segment	83,370	72,076
Australia – Data, Research and Services Segment	15,941	15,941
Mexico	3,817	3,595
Chile	16,092	15,585
Argentina	-	769
Latin America Segment	19,909	19,949
South Korea	360,388	369,267
RedBook International	400	400
Asia Segment	360,788	369,667
	480,008	477,633

Key assumptions

As well as management cash flow projections, other key assumptions for each significant CGU are detailed as follows:

CGU	Valuation method	Years of cash flow projection	Terminal growth rate		Post-tax discount rate	
			2021	2020	2021	2020
Australia – Online Advertising Services	Value in use	5	2.0%	2.0%	8.4%	8.7%
Australia – Data, Research and Services	Value in use	5	2.0%	2.0%	8.4%	8.7%
Chile	Value in use	5	3.1%	3.0%	9.2%	9.0%
South Korea	Fair value less costs to sell	10	2.5%	2.5%	9.5%	10.4%

Impact of reasonable possible changes in key assumptions

As part of management's impairment review for the period ended 30 June 2021, the carrying value of the Chile CGU was compared with a value in use discounted cash flow model. The model indicated no impairment is required. The model's cash flow projections are based on the Board approved budget for the next 5 years. The valuation outcome is sensitive to the underlying performance of the Chilean economy and management's ability to successfully introduce new products, increase prices and thereby increase yield. Depending on the duration of the COVID-19 pandemic and to what extent the business is affected in the medium to long term, it may have an impact on the future cash flow growth assumptions applied to calculate recoverable amount.

carsales also has goodwill related to a CGU in Mexico where the business is currently loss making in line with management's expectations due to immature monetisation rates. This CGU is forecast to be profitable in the future such that the carrying value of goodwill is supportable, however the recoverable amounts are close to the carrying amounts. Depending on the duration of the COVID-19 pandemic and to what extent the business is affected in the medium to long term, it may result in impairment losses in future periods. We note goodwill for Mexico is insignificant compared to total goodwill carried by the Group.

The Directors and management have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amount of the Online Advertising Services, Data, Research and Services and South Korea CGUs to exceed its recoverable amount.

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18. Payables and provisions

Accounting Policy

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.

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. They 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.

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.

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.

	2021 \$'000	Restated 2020* \$'000
Trade and other payables		
Trade payables	8,397	5,993
Accrued expenses	26,224	18,933
Other payables	4,241	4,691
Total trade and other payables	38,862	29,617
Provisions		
Employee benefits – current	8,928	7,112
Employee benefits – non-current	1,161	1,104
Other provisions – current	488	488
Other provisions – non-current	2,644	2,644
Total provisions	13,221	11,348

*Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

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. The Group has a contingent liability relating to the acquisition of Trader Interactive LLC due to complete in FY22. Once the transaction completes, the Group will be liable to pay a \$6.0 million transaction fee to Morgan Stanley for financial advice provided during the acquisition. Refer note 24 for more details. Neither the Group nor the parent entity have any other material contingent liabilities where the probability of outflow in any settlement is greater than remote as at 30 June 2021 or 30 June 2020 other than the associates' contingent liabilities as set out in Note 19(c).

Other commitments

The Group has other contractual commitments of \$4.1 million at 30 June 2021 (2020: \$7.4 million).

GROUP STRUCTURE

This section 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.

19. Interests in other entities

(a) Material subsidiaries

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 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. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company.

Subsidiaries disposed of are de-consolidated from the date that control ceases.

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 presented 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.

The Group's principal subsidiaries at 30 June 2021 are set out on the next page. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Interests in other entities continued

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group*		Ownership interest held by non-controlling interests		Principal activities	Operating Segment
		2021 %	2020 %	2021 %	2020 %		
Webpointclassifieds Pty Ltd	Australia	100.0	100.0	-	-	(1)	(i)
Equipment Research Group Pty Ltd	Australia	100.0	100.0	-	-	(2)	(ii)
Discount Vehicles Australia Pty Ltd	Australia	100.0	100.0	-	-	(1)	(i)
Automotive Data Services Pty Ltd	Australia	100.0	100.0	-	-	(2)	(ii)
Auto Information Limited	New Zealand	100.0	100.0	-	-	(2)	(iv)
RedBook Automotive Services (M) Sdn Bhd	Malaysia	100.0	100.0	-	-	(2)	(iv)
RedBook Automotive Data Services (Beijing) Limited	China	100.0	100.0	-	-	(2)	(iv)
Automotive Data Services (Thailand) Company Limited	Thailand	100.0	100.0	-	-	(2)	(iv)
Tyresales Pty Ltd**	Australia	100.0	75.0	-	25.0	(3)	(i)
Auto Exchange Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)	(i)
Automotive Exchange Pty Ltd	Australia	100.0	100.0	-	-	(1)	(i)
carsales.com Investments Pty Ltd	Australia	100.0	100.0	-	-	(4)	(iii)
carsales Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)	(iv)
carsales.com Ltd Employee Share Trust	Australia	100.0	100.0	-	-	(5)	n/a
carsales Finance Pty Ltd	Australia	100.0	100.0	-	-	(4)	n/a
RedBook Inspect Pty Ltd	Australia	80.0	80.0	20.0	20.0	(7)	(i)
carsales Latam Pty Ltd	Australia	100.0	100.0	-	-	(4)	(iii)
carsales Mexico SAPI de CV	Mexico	100.0	100.0	-	-	(1)	(iii)
carsales Chile SpA	Chile	100.0	100.0	-	-	(4)	(iii)
Chileautos SpA	Chile	100.0	100.0	-	-	(1)	(iii)
carsales Foundation Pty Ltd	Australia	100.0	100.0	-	-	(8)	n/a
carsales Argentina Pty Ltd	Australia	100.0	100.0	-	-	(4)	(iii)
	United States						
Demotores Holdings LLC	of America	100.0	100.0	-	-	(4)	(iii)
Demotores Chile SpA	Chile	100.0	100.0	-	-	(1)	(iii)
Demotores S.A.	Argentina	100.0	100.0	-	-	(1)	(iii)
ENCARSALES.COM Ltd	South Korea	100.0	100.0	-	-	(1)	(iv)
AS1 Holdings Pty Ltd	Australia	100.0	100.0	-	-	(4)	(i)
Appraisal Solutions Pty Ltd	Australia	100.0	100.0	-	-	(2)	(ii)
CS Motion Technologies Pty Ltd	Australia	97.34	97.34	2.66	2.66	(1)	(i)
CS Motion Development Pty Ltd	Australia	100.0	100.0	-	-	(1)	(i)

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

** The Group has purchased a further stake in Tyresales Pty Ltd. Refer Note 19(b) for details of the transaction.

Principal activities

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

Operating segment

- (i) Australia – Online Advertising Services
- (ii) Australia – Data, Research and Services
- (iii) Latin America (LATAM)
- (iv) Asia

(b) Non-controlling interests (NCI) for continuing operations

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

For the year ended 30 June 2021	RedBook Inspect \$'000	Other ⁽¹⁾ \$'000
Summarised balance sheet		
Current assets	3,083	2,479
Non-current assets	2,271	931
Current liabilities	(4,494)	(1,503)
Non-current liabilities	(293)	(131)
Net assets	567	1,776
Accumulated NCI	106	656
Summarised statement of comprehensive income		
Profit for the year	697	1,257
Other comprehensive income	-	-
Total comprehensive income	697	1,257
Profit for the year allocated to NCI	139	429
Dividends paid to NCI	210	-
Summarised cash flows		
Cash flows from operating activities	3,321	1,626
Cash flows from investing activities	(696)	(625)
Cash flows from financing activities	(1,796)	(1,652)
Net increase / (decrease) in cash and cash equivalents	829	(651)

On 7 December 2020 carsales.com Ltd acquired further 25% stake of tyresales Pty Ltd giving carsales 100% ownership.

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30 June 2021

19. Interests in other entities continued

For the year ended 30 June 2020	tyresales \$'000	RedBook Inspect \$'000	Other⁽¹⁾ \$'000
Summarised balance sheet			
Current assets	3,254	2,160	444
Non-current assets	1,424	2,474	3,000
Current liabilities	(6,436)	(3,163)	(325)
Non-current liabilities	-	(550)	-
Net assets	(1,758)	921	3,119
Accumulated NCI	(439)	177	-
Summarised statement of comprehensive income			
Profit / (loss) for the year	(1,218)	(621)	273
Other comprehensive income	-	-	23
Total comprehensive income	(1,218)	(621)	296
Profit / (loss) for the year allocated to NCI	(305)	(77)	(115)
Dividends paid to NCI	-	200	84
Summarised cash flows			
Cash flows from operating activities	520	3,006	214
Cash flows from investing activities	(373)	(967)	(3)
Cash flows from financing activities	-	(1,005)	(240)
Net increase / (decrease) in cash and cash equivalents	147	1,034	(29)

(1) 'other' represents other individually immaterial non-controlling interests.

(c) Interests in associates

Accounting Policy

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 acquiring an interest in an associate 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.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group recognises the loss as share of profit of an associate or joint venture in the Consolidated Statement of Comprehensive Income.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method
		2021 %	2020 %		
Webmotors S.A.	Brazil	30.0	30.0	Associate	Equity method
Skedgo Pty Ltd	Australia	20.6	20.0	Associate	Equity method

Name of entity	Quoted fair value		Carrying amount		Share of profit/(loss)	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Webmotors S.A.	-	-	53,581	48,842	4,057	5,114
Skedgo Pty Ltd	-	-	2,372	2,355	(111)	(154)
RateSetter Australia Pty Ltd ⁽¹⁾	-	-	-	-	-	(783)
Total equity accounted investments	-	-	55,953	51,197	3,946	4,177

(1) During the prior year, the Group's interest in RateSetter ceased being an associate and was classified as a financial asset at fair value through other comprehensive income. This occurred as a result of the sale of Stratton Finance Pty Ltd and given Stratton's previous interest in RateSetter.

(i) Movement in the carrying amount of significant equity accounted investments

	Webmotors S.A.	
	2021 \$'000	2020 \$'000
Carrying amount at 1 July	48,842	64,626
Profit for the year	4,439	5,604
Amortisation of intangibles	(382)	(490)
Foreign exchange impacts – other comprehensive income	(478)	(16,674)
Dividends receivable/received	(2,217)	(4,224)
Adjustment to dividends	3,377	-
Carrying amount at 30 June	53,581	48,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Interests in other entities continued

(ii) Summarised financial information for significant associates

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Company's share of those amounts.

	Webmotors S.A.	
	2021 \$'000	2020 \$'000
Total current assets	47,026	37,713
Total non-current assets	39,387	34,207
Total current liabilities	(18,501)	(18,098)
Total non-current liabilities	(235)	(2,950)
Net assets	67,677	50,872
Group's share in %	30%	30%
Group's share in \$	20,303	15,262
Goodwill and capitalised transaction costs	29,829	29,750
Acquired intangibles	3,449	3,830
Carrying amount	53,581	48,842
Revenue	62,796	74,551
Profit from continuing operations	14,798	18,679
Other comprehensive income	-	-
Total comprehensive income	14,798	18,679
carsales' share		
Profit from continuing operations	4,057	5,114
Foreign exchange impacts – other comprehensive income	(478)	(16,674)
Total comprehensive income	3,579	(11,560)
Dividends receivable / received from associates and joint venture entities	2,217	4,224

(iii) Contingent liabilities in respect of associates

	2021 \$'000	2020 \$'000
Contingent liabilities – associates		
Contingent liabilities relating to liabilities of Webmotors S.A. for which the Company is severally liable	209	211

(d) Financial assets at fair value through other comprehensive income

Accounting Policy

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 to account for investments which are not held for trading at fair value through other comprehensive income. These are strategic investments and the Group considers this classification to be more relevant. Financial assets that are carried at fair value are measured by the fair value measurement hierarchy referred to in Note 9.

On disposal of these equity investments, any related balance with the FVOCI reserve is reclassified to retained earnings.

Key Assumption/Accounting Estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Refer to Note 9 for details of the valuation techniques used to value the investment.

Name of entity	% of ownership		Carrying amount	
	2021 %	2020 %	2021 \$'000	2020 \$'000
Quoted financial assets				
iCar Asia Limited	11.4	11.7	13,601	13,601
Plenti Group Ltd (formerly 'RateSetter Australia Pty Ltd')	9.5	12.5	21,666	19,062
Unquoted financial assets				
PromisePay Pte Ltd	7.9	7.3	2,237	2,104
mx51 Group Pty Ltd	3.8	7.3	2,002	623
Other equity investments	N/A	N/A	10,023	5,328
Total financial assets at fair value through other comprehensive income			49,529	40,718

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30 June 2021

19. Interests in other entities continued

	2021 \$'000	2020 \$'000
At 1 July	40,718	19,905
Transfer from equity accounted associates	-	14,410
Acquisition of financial assets at fair value through other comprehensive income	2,169	2,394
Exchange differences recognised through other comprehensive income	(409)	42
Gain recognised through other comprehensive income	7,051	3,967
At 30 June	49,529	40,718

(i) Plenti Group Ltd (formerly 'RateSetter Australia Pty Ltd')

The Group previously accounted for its investment in RateSetter using the equity method. The Group made a strategic decision in December 2019 to relinquish control over the right to a RateSetter Board seat, thereby losing the right to exert significant influence over the business.

Pursuant to this change, the Group ceased equity accounting for RateSetter and in accordance with accounting standards the Group was required to fair value the investment at that point resulting in a \$9.8 million gain in the income statement and the Group made an irrevocable election to recognise the investment as a financial asset at fair value through other comprehensive income. During the year, RateSetter was renamed Plenti Group Ltd and listed on the ASX. Refer to Note 9 for the valuation approach for this asset.

(ii) PromisePay and mx51 Group

Following the finalisation of a business restructure, the Group has interest in both PromisePay Pte Ltd and mx51 Group Pty Ltd. The Group reviewed the valuation of its interest in both entities. Refer to Note 9 for details of the valuation approach.

20. Discontinued operations

In June 2019 the Group announced its strategic review and intention to sell its 50.1% interest in Stratton Finance Pty Ltd ('Stratton'). The sale was finalised on 30 April 2020.

In the prior comparative period, the Group classified its Stratton operations as a current asset held for sale in-line with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Stratton's results were disclosed as discontinued operations in the consolidated statement of comprehensive income. Stratton also had a net cash outflow of \$4.8 million presented in the consolidated statement of cash flows as discontinued operations for the year ended 30 June 2020. Furthermore, during the prior comparative period, the Group recognised a non-cash impairment charge of \$4.4 million presented as discontinued operations in the consolidated statement of comprehensive income for the year ended 30 June 2020.

See Note 21 of the June 2020 annual report for more details regarding the Stratton divestment.

21. Parent entity financial information

Accounting Policy

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 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 to Note 17 for details of impairment accounting policies.

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

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the company for any current tax payable assumed and are compensated by the company for any current tax receivable and deferred taxes relating to unused tax losses or unused tax credits that are transferred to carsales.com Ltd under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

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30 June 2021

21. Parent entity financial information continued

(a) Summary financial information

	2021 \$'000	Restated* 2020 \$'000
Balance sheet		
Current assets	286,669	163,884
Non-current assets	1,026,041	998,039
Total assets	1,312,710	1,161,923
Current liabilities	211,068	202,928
Non-current liabilities	190,063	671,187
Total liabilities	401,131	874,115
Shareholders' equity		
Issued capital	755,357	149,817
Reserves	39,746	8,381
Retained earnings	116,476	129,610
Total equity	911,579	287,808
Profit for the year	109,986	127,529
Total comprehensive income	146,206	128,987

* Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

22. 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
Tyresales Pty Ltd	30 June 2021
Appraisal Solutions Pty Ltd	30 June 2021

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

	2021 \$'000	2020 \$'000
Revenue from continuing operations		
Revenue from contracts with customers	324,750	274,071
Revenue from continuing operations	324,750	274,071
Expenses		
Costs of sales	(20,515)	(4,373)
Sales and marketing expenses	(45,644)	(48,323)
Service development and maintenance	(23,941)	(20,097)
Operations and administration	(54,630)	(36,569)
Earnings before interest, taxes, depreciation and amortisation	180,020	164,709
Depreciation and amortisation expense	(31,538)	(19,694)
Finance income	995	1,264
Finance costs	(19,181)	(14,722)
Changes in fair value of put options	-	7,228
Dividends income	2,471	43,848
Impairment loss	-	(4,450)
Fair value gain arising from discontinuing the equity method	-	5,217
Loss on disposal of subsidiary	-	(1,675)
Profit before income tax	132,767	181,725
Income tax expense	(48,344)	(43,629)
Profit from continuing operations	84,423	138,096
Total comprehensive income for the year	112,157	139,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

22. 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 2021 of the Closed Group.

Consolidated statement of financial position	2021 \$'000	Restated* 2020 \$'000
Current assets		
Cash and cash equivalents	238,862	138,327
Trade and other receivables	40,441	51,493
Derivative assets	33,658	-
Total current assets	312,961	189,820
Non-current assets		
Investments accounted for using the equity method and subsidiaries	537,689	527,516
Financial assets at fair value through other comprehensive income	49,529	40,718
Property, plant and equipment	5,194	6,216
Right-of-use assets	41,810	45,792
Deferred tax assets	15,086	12,414
Intangible assets	123,436	112,597
Other receivables	13,905	12,197
Total non-current assets	786,649	757,450
Total assets	1,099,610	947,270
Current liabilities		
Trade and other payables	26,122	17,080
Lease liabilities	3,366	3,390
Current tax liabilities	13,034	12,104
Provisions	8,036	6,425
Contract liabilities	3,707	2,755
Total current liabilities	54,265	41,754
Non-current liabilities		
Trade and other payables	37,723	21,171
Borrowings	43,195	543,910
Lease liabilities	48,220	51,499
Deferred tax liabilities	15,009	-
Derivative liabilities	-	14,179
Provisions	1,014	984
Total non-current liabilities	145,161	631,743
Total liabilities	199,426	673,497
Net assets	900,184	273,773
Equity		
Contributed equity	755,357	149,817
Reserves	41,870	(17,699)
Retained earnings	102,957	141,655
Total equity	900,184	273,773

* Restatement relates to minor adjustment of prior year resulting from changes in the interpretation of accounting policies.

23. Related party transactions

The Group has identified the parties it considers to be related and the transactions conducted with those parties. Other than those disclosed below, no other related party transactions have been identified.

(a) Key Management Personnel compensation

	2021 \$	2020 \$
Short-term employee benefits	6,683,998	5,799,738
Deferred short-term employee benefits	502,551	196,598
Post-employment benefits	175,003	182,860
Long-term employment benefits	90,034	63,177
Share-based payments	1,620,670	913,291
	9,252,256	7,155,664

(b) Transactions with other related parties

The following transactions occurred with related parties, the nature of which are described in the Remuneration Report.

	2021 \$	2020 \$
Sale of goods and services to related parties	1,458,813	970,380
Purchase of goods and services from related parties	775,180	883,584

All transactions were made on normal commercial terms and conditions, at market rates and includes transactions with associates.

(c) 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:

	2021 \$	2020 \$
Current receivables (sale of goods and services)		
Other related parties	98,070	124,675
Current payables (purchase of goods and services)		
Other related parties	73,093	14,008

There is no allowance accounted for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

ITEMS NOT RECOGNISED

This section of the notes provides information about material items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria.

24. Events occurring after the reporting period

On 12 May 2021, the Group announced it had entered into an agreement to acquire a 49% interest in Trader Interactive LLC, a leading platform of branded marketplaces in the United States, providing digital marketing solutions and services across the commercial truck, recreational vehicle, power sports and equipment industries, for USD \$624.0 million. The transaction is due to complete in early FY22.

carsales will invest alongside existing owners West Street Capital Partners VII, L.P., Eurazeo North America Inc., management and employees who collectively own the remaining 51% interest in Trader Interactive. carsales has a call option to acquire the remaining interest in Trader Interactive on specified terms.

The acquisition price will be funded by a combination of debt and equity. In May 2021, carsales announced the launch of an approximately AUD \$600.0 million fully underwritten pro-rata accelerated renounceable entitlement offer (with retail rights trading) to fund the acquisition. The entitlement offer was completed in June 2021 resulting in the issue of 35,298,094 additional ordinary shares and cash raised of AUD \$587.3 million (net of transaction costs). The remaining purchase price will be funded via an extension of existing debt facilities from existing lenders.

No other matters or circumstances have occurred subsequent to period end that have 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.

OTHER

This section 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.

25. 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:

(a) PricewaterhouseCoopers Australia

	2021 \$	2020 \$
Audit and other assurance services		
Audit and review of Financial Reports	477,000	614,052
Due diligence services	697,175	223,000
Other assurance services	57,320	-
Total remuneration for audit and other assurance services	1,231,495	837,052
Taxation services		
Tax compliance services, including review of Company income tax returns	136,000	103,717
Tax consulting and tax advice on mergers and acquisitions	-	130,932
Total remuneration for taxation services	136,000	234,649
Other services		
Other services	-	68,512
Total remuneration for other services	-	68,512
Total remuneration of PricewaterhouseCoopers Australia	1,367,495	1,140,213

(b) Network firms of PricewaterhouseCoopers Australia

Audit and other assurance services		
Audit and review of Financial Reports	144,000	164,111
Total remuneration for audit and other assurance services	144,000	164,111
Taxation services		
Tax compliance services, including review of Company income tax returns	18,722	26,339
Total remuneration for taxation services	18,722	26,339
Total remuneration of network firms of PricewaterhouseCoopers Australia	162,722	190,450
Total remuneration for PricewaterhouseCoopers	1,530,217	1,330,663

(c) Non-PwC audit firms

Audit and review of Financial Reports	13,818	30,802
Tax compliance services	19,897	779
Total remuneration for Non PwC audit firms	33,715	31,581
Total auditors' remuneration	1,563,932	1,362,244

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

26. Share-based payments

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

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were \$3,001,000 (2020: expense \$3,480,000).

Employee Option Plan

Set out below are summaries of options and performance rights granted under the plan:

2021

Grant date	Expiry date	Exercise price	Opening balance	Granted during the year	Exercised during the year	Expired or lapsed during the year	Closing balance	Vested and exercisable at 30 June
Options								
Oct 2015	Oct 2020	\$10.24	45,610	-	(44,599)	(1,011)	-	-
Oct 2016	Oct 2031	\$12.23	218,110	-	(115,344)	(14,545)	88,221	88,221
Oct 2017	Oct 2032	\$11.41	295,990	-	(236,201)	(8,298)	51,491	51,491
Oct 2018	Aug 2033	\$14.87	445,532	-	-	(19,080)	426,452	-
Oct 2019	Oct 2034	\$13.54	139,245	148,871	-	(3,060)	285,056	-
Total options			1,144,487	148,871	(396,144)	(45,994)	851,220	139,712
Weighted average exercise price			\$13.13	\$13.54	\$11.52	\$13.22	\$13.94	\$11.93
Performance rights								
Oct 2017	Oct 2032	\$0.00	186,281	-	(124,827)	(61,454)	-	-
Oct 2018	Aug 2033	\$0.00	159,387	(235)	-	(6,589)	152,563	-
Feb 2019	Feb 2034	\$0.00	-	-	-	-	-	-
Aug 2019	Aug 2034	\$0.00	19,784	-	(19,784)	-	-	-
Oct 2019	Oct 2034	\$0.00	82,335	73,412	-	(1,809)	153,938	-
Aug 2020	Aug 2035	\$0.00	-	14,461	-	-	14,461	-
Dec 2020	Dec 2035	\$0.00	-	201,820	-	-	201,820	-
Total performance rights			447,787	289,458	(144,611)	(69,852)	522,782	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total of plan			1,592,274	438,329	(540,755)	(115,846)	1,374,002	139,712
Weighted average exercise price			\$9.43	\$4.60	\$8.44	\$5.25	\$8.64	\$11.93

2020

Grant date	Expiry date	Exercise price	Opening balance	Granted during the year	Exercised during the year	Expired or lapsed during the year	Closing balance	Vested and exercisable at 30 June
Options								
Oct 2014	Oct 2019	\$10.71	24,667	-	(22,814)	(1,853)	-	-
Oct 2015	Oct 2020	\$10.24	217,021	-	(168,369)	(3,042)	45,610	45,610
Oct 2016	Oct 2031	\$12.23	631,658	-	(206,390)	(207,158)	218,110	218,110
Oct 2017	Oct 2032	\$11.41	311,432	-	-	(15,442)	295,990	-
Oct 2018	Aug 2033	\$14.87	495,204	-	-	(49,672)	445,532	-
Oct 2019	Oct 2034	\$13.54	-	139,245	-	-	139,245	-
Total options			1,679,982	139,245	(397,573)	(277,167)	1,144,487	263,720
Weighted average exercise price			\$12.58	\$13.54	\$11.30	\$12.63	\$13.13	\$11.89
Performance rights								
Oct 2016	Oct 2031	\$0.00	123,076	-	(73,801)	(49,275)	-	-
Aug 2017	Aug 2019	\$0.00	48,448	-	(48,448)	-	-	-
Oct 2017	Oct 2032	\$0.00	196,000	-	-	(9,719)	186,281	-
Oct 2018	Aug 2033	\$0.00	177,157	-	-	(17,770)	159,387	-
Feb 2019	Feb 2034	\$0.00	16,706	-	(16,706)	-	-	-
Aug 2019	Aug 2034	\$0.00	-	21,260	-	(1,476)	19,784	-
Oct 2019	Oct 2034	\$0.00	-	82,335	-	-	82,335	-
Total performance rights			561,387	103,595	(138,955)	(78,240)	447,787	-
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total of plan			2,241,369	242,840	(536,528)	(355,407)	1,592,274	263,720
Weighted average exercise price			\$9.43	\$7.76	\$8.37	\$9.85	\$9.43	\$11.89

The estimate of the weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2021 is estimated to be approximately \$20.80 (2020: approximately \$16.07).

The weighted average remaining contractual life of share options outstanding at the end of the period was 9.11 years (2020: 12.68 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 36.

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 right is convertible into one ordinary share for \$0.00 exercise price, upon satisfaction of all vesting requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

30 June 2021

26. Share-based payments continued

Fair value of options and performance rights granted

The assessed fair value at grant date of options granted during the year ended 30 June 2021 is \$3.43 (2020: \$3.43).

The assessed fair value at grant date of performance rights granted during the year ended 30 June 2021 is \$17.41 (2020: \$13.80).

The model inputs for options and performance rights granted during the year ended 30 June 2021 included:

	Options		Performance rights	
	2021	2020	2021	2020
Exercise price	\$13.54	\$13.54	\$0.00	\$0.00
Grant date	Oct 19	Oct 19	Aug 20, Dec 20	Aug 19, Oct 19
Expiry date	Oct 34	Oct 34	Aug 35, Dec 35	Aug 34, Oct 34
Share price at grant date	\$15.75	\$15.75	\$18.32, \$18.75	\$14.77, \$15.75
Expected price volatility of the Company's shares	29.1%	29.1%	41.7%, 32.9%	29.1%
Expected dividend yield	3.3%	3.3%	2.8%, 2.5%	3.3%
Risk-free interest rate	0.8%	0.8%	0.4%, 0.4%	0.7%

The expected price volatility is based on historical volatility adjusted for any expected changes to future volatility due to publicly available information.

27. Other significant accounting policies

(a) 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 recognised as 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.

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.

(b) 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 tax authority, are presented as operating cash flow.

(c) New and amended Accounting Standards and Interpretations

(i) New and amended Accounting Standards and Interpretations issued and effective

The Group has not adopted any new or amended Accounting Standards and Interpretations this year that have had a material impact on the Group or the Company.

(ii) Accounting standards and Interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 62 to 133 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 2021 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
15 August 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD



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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD CONTINUED



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 \$9.3 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 benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
- We selected a 5% threshold based on our professional judgement, noting that it is 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.com Limited operates across four reporting segments, being Australia – Online Advertising Services, Australia – Data, Research and Services, Latin America and Asia, as described in note 1 of the financial report. 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. We communicated the key audit matters to the Audit Committee.



Key audit matter

Carrying value of intangible assets for South Korea and Chile

(Refer to note 17 Intangible assets)

The Group's intangible assets included \$480.0 million of goodwill and \$67.1 million of brands and customer relationships at 30 June 2021. Of total goodwill, \$360.4 million related to the South Korea cash generating unit (CGU) and \$16.1 million related to the Chile CGU. Goodwill was required to be tested for impairment in accordance with Australian Accounting Standards.

In order to test for impairment of goodwill, the Group prepared impairment models which forecast cash flows, discounted to their present value. The valuation method used to test for impairment was fair value less costs to sell for South Korea and value in use for Chile.

The carrying value of intangible assets for South Korea and Chile was a key audit matter given it was financially significant to the Group and there were judgements and assumptions involved in estimating the cash flow forecasts and other key assumptions, particularly discount rate and terminal growth rate.

How our audit addressed the key audit matter

We performed the following procedures, amongst others:

- Tested the mathematical accuracy of the calculations made in the impairment models.
- Compared the forecast cash flows used in the impairment models with the FY22 budgets.
- Assessed the historical accuracy of the Group's cash flow forecasts by comparing prior budgets to actual performance.
- Assessed the appropriateness and supportability of the cash flow forecasts by considering the key factors upon which they were based and the underlying drivers for growth.
- Compared growth rate assumptions used in the impairment models to historical results and economic and industry forecasts.
- Assessed the allocation of assets and liabilities to the CGUs.
- For the South Korea CGU, we considered whether it would be possible to determine a reliable estimate of the amount obtainable in an arm's length transaction between knowledgeable and willing parties, by determining fair value less costs to sell.
- With the assistance of our internal valuation experts, we assessed the discount rates and terminal growth rates used in the impairment models by comparing them to market data, comparable companies and industry research.
- Considered the disclosures made in note 17, in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD CONTINUED



Key audit matter

Agreement to acquire a 49% interest in Trader Interactive LLC

(Refer to note 24 Events occurring after the reporting period)

On 12 May 2021, carsales entered into an agreement to acquire a 49% interest in Trader Interactive LLC. The Group expect the transaction to complete in early FY22 and it was disclosed as a subsequent event in the financial report.

Funding for the acquisition was in place by 30 June 2021 and was a combination of debt and equity. The equity entitlement offer was completed in June 2021 and resulted in the issue of 35.3 million ordinary shares for \$587.3 million (net of transaction costs).

The agreement to acquire Trader Interactive LLC and the associated funding transactions described in note 24 are considered to be a key audit matter as it is a significant transaction for the Group.

How our audit addressed the key audit matter

We performed the following procedures, amongst others:

- Read the sale and purchase agreement and considered the appropriate timing of recognition of the transaction as an event subsequent to 30 June 2021.
- Reconciled the gross and net proceeds raised from the equity entitlement offer to bank statements and to other relevant supporting documentation.
- Assessed the amendment facility agreements and developed an understanding of the terms associated with the facilities.
- Obtained external confirmations from the Group's financiers to confirm the balance of borrowings.
- Assessed a sample of transaction costs incurred to relevant supporting documentation and considered their accounting treatment and the associated tax treatment.
- Considered the disclosures made in the financial report in 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 2021, 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 36 to 55 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of carsales.com Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARSALES.COM LTD CONTINUED



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
15 August 2021

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2021.

A. Distribution of equity securities

Holding	Class of equity security			
	Ordinary shares		Redeemable preference shares	Convertible notes
	Shares	Options and performance rights		
No. of holders	No. of holders	No. of holders	No. of holders	
1 – 1,000	11,408	6	-	-
1,001 – 5,000	6,666	16	-	-
5,001 – 10,000	846	7	-	-
10,001 – 100,000	488	15	-	-
100,001 and over	80	2	-	-
	19,488	46	-	-

There were 415 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	102,414,217	36.3
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,982,913	14.5
CITICORP NOMINEES PTY LIMITED	25,749,937	9.1
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	10,878,104	3.9
NATIONAL NOMINEES LIMITED	7,127,217	2.5
BNP PARIBAS NOMS PTY LTD <DRP>	5,722,038	2.0
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,736,682	1.7
ESSENA PTY LTD	3,001,109	1.1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,713,686	1.0
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,131,860	0.8
FOUR US PTY LTD <GREG & KAREN ROEBUCK FA A/C>	1,938,571	0.7
BILLKAREN PTY LTD <ROBINSON FAMILY A/C>	1,900,000	0.7
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,602,123	0.6
CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	1,521,270	0.5
MILTON CORPORATION LIMITED	1,368,245	0.5
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,316,389	0.5
MR ANDREW GAJTAN CURMI	1,160,500	0.4
DJERRIWARRH INVESTMENTS LIMITED	1,113,342	0.4
GREGORY PAUL ROEBUCK	1,080,667	0.4
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,068,943	0.4
	219,527,813	78.0

SHAREHOLDER INFORMATION CONTINUED

	Number on issue	Number of holders
Options and performance rights issued under the carsales.com Ltd Employee Option Plan to take up ordinary shares	1,374,002	46

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
The Vanguard Group, Inc.	12,766,701	4.53

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

Pat O'Sullivan

(Non-Executive Chair)

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)

David Wiadrowski

(Non-Executive Director)

Steve Kloss

(Alternate Non-Executive Director)

Company secretary

Nicole Birman

Registered office

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F +61 3 9093 8697

carsales.com.au

Share registry

Computershare Ltd

452 Johnston Street Abbotsford Vic 3067

T +61 3 9415 4000

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

