

**CR CLOTHING
AUSTRALIA**

**ANNUAL REPORT
2004**

COUNTRY ROAD



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THE YEAR IN REVIEW CHAIRMAN'S REPORT



This has been a significant year in Country Road's history. This year the Company moved away from being a wholesale business with retail outlets, and became a retail focused business. The decision to form a strategic partnership with only one major department store had a short-term adverse affect on sales, however this will allow the Company to become a more profitable retailer in the future.

A number of key steps were taken during the year toward building a successful and profitable business for the longer term:

- The move to a strategic partnership with Myer and the conclusion of a long-term relationship with David Jones;
- Reduction in lead times;
- Creation of more fashionable ranges under the direction of a new head of design;
- Opening of four new stores as part of our real estate expansion strategy, with a further two new stores opened since the end of the year;
- The change of the corporate identity to reflect the more modern and contemporary look for the brand; and
- The creation of a new format for our stores to complement the new corporate identity and ranges.

The Company has reported a net profit of \$2.5m for the year. Whilst this represents only a modest improvement in profitability, the fundamentals of the business are very sound. The Board and management team are focused on implementing the strategy and continuing to drive improved performance from the business for the benefit of shareholders.

The retail apparel market will continue to be dominated by the major department stores, which have been emphasising brands as their primary point of difference. Country Road is, and continues to be, an Australian icon brand. Through our relationship with Myer and the ongoing expansion of the existing retail store chain, we will continue to be a major brand in the Australian and New Zealand markets.

The Board has undergone some change during the year. Penny Morris retired from the Board at last year's Annual General Meeting after 11 years' service. Mark Canning also resigned from the Board in July this year following 3 years' service. At this point in time, it is not the intention of the Board to replace these positions. The composition of the Board is considered appropriate, and the Directors have the necessary skills to continue to lead the Company and fulfil their responsibilities to shareholders.

A handwritten signature in cursive script that reads "M. Drysdale".

Mac Drysdale
Chairman

THE YEAR IN REVIEW CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS



This year was the last stage in what has been a major transformation for the business. Some tough decisions were taken around our wholesale relationships and a major relaunch of the brand involving new-look ranges, new store fit-outs and a new corporate identity was undertaken at the end of the year. We managed to achieve our change objectives, maintain profitability and, in the second half of the year, began to see our retail sales grow.

In what was a major strategic move, we chose to exit our wholesale relationship with David Jones and create a strategic partnership with Myer. This involved a considerable decrease in sales in the short term but enabled the business to make the final changes it needed to in order to become a sustainably profitable retailer with appropriate lead times.

Despite this change, the business achieved a net profit of \$2.5m. Margins improved by 2%. Stock levels were down by 10.8% on the previous year and cash on hand totalled \$11.3m.

FEEDBACK ON 2003/2004 PRIORITIES

Increased Level of Fashionability

The appointment of Sophie Holt at the end of last financial year greatly enhanced our design team. Because of the lead times involved, it was not until the latter part of this financial year that her designs reached our retail stores. They were well received and certainly forward sales of the more fashionable ranges to Myer have been very positive and this augurs well for 2004/2005.

Retail Operating Model

The move to create a strategic relationship with Myer and to exit David Jones was a tough but necessary decision for the business. It has allowed us to shorten our lead times from 12 months to 6 months, improve fashionability and to better control our brand. The decline in sales was significant for this financial year but will be compensated by increased retail sales at a higher margin and by improved sales to Myer going forward.

Expanded Retail Stores

We have opened four stores during the course of the financial year at Carindale (Queensland), Garden City (Western Australia), Erina Fair (New South Wales) and Marion (South Australia).

Improved Merchandise Management

Our new systems became fully operational during the course of the year and allowed us to improve the allocation, distribution and replenishment of merchandise. Stock turns were improved, stock levels reduced and availability enhanced.

New Store Environment

We took the decision to relaunch the brand on 2 July 2004. The first full ranges from our new design team were brought together with a new contemporary corporate identity and a new modern, exciting store fit-out. The launch was very well received by our customers. Since the relaunch we have opened two new stores at Bondi Junction and Macquarie (both in New South Wales), and refurbished our Melbourne Central (Victoria) and Shore City (New Zealand) stores with the new fit-out concept. All have traded well since opening.

Young and Free


Although continuing with the essence of the campaign in our advertising, we took the decision not to continue with the strap line Young and Free.

LOOKING FORWARD

After a successful relaunch of the business on 2 July 2004, we are looking forward to increased retail sales and materially improved profitability in the coming financial year.

The focus for the business will be around the following key areas:

- The continued improvement in the fashionability of our merchandise;
- Greater value through material reductions in average price points (15% to 20%);
- Continuous improvement in our merchandise management focusing on availability, fast response and replenishment;
- Continued retail growth; and
- Growing the strategic partnership with Myer and replacing the sales lost through our decision to concentrate on one department store.



Ian Moir
Chief Executive Officer



This page (clockwise from top left): Country Road Carry Bag; Melbourne Central Entrance; Homewear Spring 04; Womenswear Spring 04; Kidswear Spring 04; Menswear Spring 04.

Opposite page (clockwise from top left): Melbourne Central Womenswear; Bondi Junction Menswear; Kids Label; Melbourne Central Womenswear.



THE ORGANISATION BOARD OF DIRECTORS

COUNTRY ROAD LIMITED A.C.N 006 759 182

Kenneth Macmillan Drysdale

Chairman

Appointed 16 November 1995. He was appointed Chairman on 10 April 2000. He was formerly Chairman of a number of wool industry organisations and more recently Deputy Chairman of the Mitre 10 group of companies. He has a Bachelor of Business Studies.

Ian Moir

Chief Executive Officer

Appointed 23 October 1998. Formerly Chief Operating Officer. He was previously Executive Director and Chief Operating Officer of the Woolmark Company. He has a Masters Degree in Business Administration, a Masters Degree in Economics and is a qualified Chartered Accountant.

Simon Susman

Non-Executive Director

Appointed 6 December 2000. He is Chief Executive Officer of Woolworths Holdings Limited (South Africa) and Chairman of Woolworths Pty Ltd. He has held numerous management positions with Woolworths Pty Ltd during his 22 years with the company, and was previously with Marks & Spencer in London for 11 years.

Nelson Mair

Chief Operating Officer

Appointed 8 February 2002. He was previously an Associate Director with KPMG Consulting and has held senior management positions with The Warehouse Group, Retail Apparel Group (NZ) and Progressive Enterprises (NZ). He holds a Bachelor of Commerce in Financial Management and Accounting.

Annamaria Hynes

Non-Executive Director

Appointed 5 February 2003. She has held positions internationally with American Express for over 10 years. Her roles during that time included Vice President Marketing, Vice President International (based in New York), Vice President, Malaysia, Indonesia and Pakistan (based in Hong Kong) and most recently in the position of Vice President and Country Manager in New Zealand. Prior to this she held an Executive position with Chemical Bank in New York, was a Management Consultant at McKinsey Co in Sydney, and was Senior Brand Manager for Johnson & Johnson in the UK. She holds an MBA from Harvard Business School and a BSc.

Norman Thomson

Non-Executive Director

Appointed 5 February 2003. He is currently the Director of Finance with Woolworths Holdings Limited in South Africa. He has been with Woolworths since 1991 and has held various posts in Logistics, Foods, Operations and Supply Chain. He holds a B.Com and is a qualified accountant.

Michael Terry

Non-Executive Director

Appointed 5 February 2003. He is currently an Executive Director of the Dewhirst Group based in the UK, where he heads up Group Design and Product Development. He has held this position for 13 years. He is a Governor of Kingston University (UK) linked to their Faculty of Fashion Design, Art and Music and holds Memberships with both the British Fashion Council and the Prince's Trust Fashion Forum. He studied fashion at Canterbury Art College in the UK and has been in the fashion industry for over 30 years.

Kevin Hayes

Non-Executive Director

Appointed 25 September 2002. He was formerly Chairman of Cadbury Schweppes Australia until his retirement in 1999, and Snackfoods Ltd (1999 – 2002). He is currently Non-Executive Chairman of Timbercorp Limited and of the Slater Marketing Group Pty Ltd.

COMPANY SECRETARY

Ashley Gardner

Joined the Company in 2000 and was appointed Company Secretary in 2002. He also holds the position of Chief Financial Officer of the Company. He holds a B.Com (Hons) and is a qualified Chartered Accountant.

THE ORGANISATION CORPORATE GOVERNANCE STATEMENT

COUNTRY ROAD LIMITED A.C.N 006 759 182

The Board of Directors of Country Road Limited is responsible for the corporate governance of the Company and the consolidated entity. The Board guides and monitors the business and affairs of Country Road Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has considered the Best Practice Recommendations of the ASX Corporate Governance Council, and specific information as required by these recommendations has been disclosed in the Annual Report. In general, the Board has complied with the recommendations of the Council, however, where a recommendation has not been followed, that fact has been disclosed, together with an explanation as to the reasons for the departure.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the operation of the Board and has adopted a formal charter. In addition, formal charters for the Remuneration Committee and the Audit Committee have also been established to ensure the respective committees can discharge their responsibilities to the Board and other stakeholders. Copies of each charter are available on our website at www.countryroad.com.au.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall maintain a majority of Non-Executive Directors;
- The roles of Chairman and Chief Executive Officer shall be separated;
- The Chairman shall be a Non-Executive Director;
- The Board, as a group, shall have a variety of professional skills and industry experience, relevant to the consolidated entity's activities;
- The Board should meet at least six times per year and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items;
- All Directors are expected to act in an independent and responsible manner for the benefit of all shareholders;
- The full Board is involved in the process of identifying candidates with appropriate expertise and experience to fill vacancies, or for additional appointments. External professional advice is sought where considered appropriate. The appointment of a new Director is a matter for consideration by the full Board;
- In accordance with the Company's constitution at least one-third of the Directors retire from office at the annual general meeting each year. Retiring Directors may be eligible for re-election;
- Directors appointed during the year are required to stand for election at the next annual general meeting; and
- A Non-Executive Director may only hold office for a period of 10 years. A Director who has held the position of Chairperson for at least 2 years may serve on the Board for a maximum period of 12 years.

The Board places significant emphasis on the independence of Directors and their ability to act objectively in the best interests of all shareholders. The Board comprises six Non-Executive Directors, four of whom are considered independent Directors as defined by the ASX Corporate Governance Council. The Board does not believe the lack of a majority of independent Directors compromises the effective functioning of the Board because each Director contributes individually in the decision making process and the Non-Executive Directors are not involved in the day-to-day management of the Company or its controlled entities.

The Directors in office at the date of this statement are:

Independent Directors	Non-Executive Directors	Executive Directors
K.M. Drysdale (Chairman)	S. Susman	I. Moir (Chief Executive Officer)
K. Hayes	N. Thomson	N. Mair (Chief Operating Officer)
A. Hynes		
M. Terry		

Further details regarding individual Directors and their qualifications are set out in the section "Board of Directors" in this Annual Report.

BOARD RESPONSIBILITIES

The Board acts on behalf of and is accountable to all shareholders, and seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. The Board is ultimately responsible for identifying areas of business risk and ensuring processes are implemented to adequately manage those risks. More specifically, these responsibilities include:

- Establishing strategic direction in accordance with the consolidated entity's goals and objectives;
- Approval of corporate and business plans;
- Monitoring of senior management's performance and implementation of strategy;
- Appointment and removal of the Chief Executive Officer, including appropriate succession planning;
- Approval of major capital expenditure projects;
- Monitoring of performance against budgets and forecasts;
- Identifying areas of business risk and ensuring processes are implemented to adequately manage those risks;
- Ensuring the company conducts its business in an ethical manner and complies with all regulatory requirements;
- Maintaining the highest levels of corporate governance;
- Nomination and appointment of new Directors; and
- Approval of the Code of Conduct to protect and maintain the Company's and consolidated entity's integrity.

The Board delegates responsibility for the development, implementation and administration of operations within the strategic policy framework to the Chief Executive Officer and his senior management team. The Board ensures this team is appropriately qualified and experienced to discharge their responsibilities, and has in place procedures to assess their performance periodically.

CORPORATE REPORTING

The Chief Executive Officer and Chief Financial Officer have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its controlled entities; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board, and that the Company's risk management and internal controls are operating efficiently and effectively in all material respects.

MONITORING OF THE BOARD'S PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairperson reviews the performance of all Directors at least annually. Directors whose performance is unsatisfactory are managed appropriately. The Board has ongoing policies in relation to monitoring the independence of Directors and takes steps to ensure the independence of Directors is maintained.

COMMUNICATIONS AND CONTINUOUS DISCLOSURE TO SHAREHOLDERS

The Company Secretary has been nominated as the person responsible for communication with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all matters necessary to assess the performance of the Company and its Directors. Information is communicated to shareholders through:

- The Annual Report;
- The half-yearly report;
- The Annual General Meeting;
- Regular announcements to the ASX in relation to key initiatives and trading; and
- Our website: www.countryroad.com.au

RISK ASSESSMENT AND MANAGEMENT

The Board is responsible for ensuring there are adequate policies in relation to risk management and internal control systems. The Company and its controlled entities have policies designed to ensure strategic, operational, brand, financial and knowledge/systems risks are identified, assessed, addressed and monitored to ensure strategic objectives are achieved.

The Company has a formal risk management program that is managed by the Chief Financial Officer. The Audit Committee receives reports in relation to risk management activities at each meeting.

The Company has in place comprehensive insurance policies and arrangements to reduce the potential financial impact of significant losses across the consolidated entity.

CODE OF CONDUCT

The Board recognises the need for officers and employees to observe the highest standards of behaviour and business ethics when representing the Company. The Country Road Code of Conduct, which has been fully endorsed by the Board, sets out the principles and standards to be met to achieve these objectives. A key element of the Code is that all officers and employees are expected to act in accordance with the law and the highest standards of propriety.

REMUNERATION

It is the Company's objective to attract and retain a high quality Board and executive management team by remunerating Directors and key Executives fairly and appropriately with reference to the relevant employment market conditions. To assist in achieving this, key Executives' remuneration is linked to the financial and operational performance of the Company. Non-Executive Directors' remuneration is fixed and there are no retirement benefits paid to Directors, other than statutory superannuation.

Details of the remuneration of Directors and Executives are provided in Note 27 of this Annual Report.

COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee that each operate under Board-approved charters to assist the Board in fulfilling its corporate governance objectives. The responsibilities of a Nomination Committee are fulfilled by the full Board.

Committee	Chairperson	Members	Functions & Responsibilities
Audit	N. Thomson*	K.M. Drysdale K. Hayes A. Hynes S. Susman	<p>The Audit Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's and consolidated entity's:</p> <ul style="list-style-type: none"> • Financial reporting, • Internal control structure, • Risk management systems, and • External audit functions. <p>The Audit Committee shall be comprised of a majority of independent Directors.</p> <p>The Audit Committee's responsibilities include:</p> <ul style="list-style-type: none"> • Overseeing the financial reporting process; • Approving the accounting policies and procedures used in the preparation of financial reports; • Review and approval of all ASX press releases and other information released by the Company that relate to the Company's and consolidated entity's financial performance; • Ensuring that management has in place an effective internal control system over financial reporting; • Reviewing and recommending approval of the annual financial statements and any interim financial reports; • Ensuring that financial reports are prepared in accordance with generally accepted accounting principles and other relevant regulatory requirements; • The appointment, remuneration, monitoring and independence of the external auditor; • Approving the external audit scope and satisfying itself that remuneration and timeframes established are appropriate to enable the external auditor to conduct an effective audit; and • Establishing guidelines for the provision of non-audit related services by the external auditor, and pre-approval of all services to be provided by the external auditor that fall outside these guidelines. <p>To fulfil these responsibilities, the Committee meets at least four times per year and receives regular reports from both senior management and the external auditor.</p>

** Mr Thomson is a Non-Executive Director. He has been appointed Chairperson of the Audit Committee because he is considered to be the most qualified and appropriate Director for this role. The Board do not believe his role as an Executive Director of a major shareholder adversely affects his ability to discharge his responsibilities as Chairperson of the Audit Committee in an objective and impartial manner.*

Committee	Chairperson	Members	Functions & Responsibilities
Remuneration	A. Hynes	K. Hayes S. Susman	<p>The Remuneration Committee assists the Board to discharge its responsibilities in relation to the remuneration of Executives and Directors of the Company and the consolidated entity.</p> <p>The Remuneration Committee shall consist only of Non-Executive Directors. It is responsible for:</p> <ul style="list-style-type: none"> • Ensuring the remuneration strategy is consistent with market requirements and appropriate to attract and retain personnel; • Recommending the appropriate remuneration level for Non-Executive Directors within the aggregate limits approved by shareholders¹; • Recommending appropriate levels of remuneration for Executive Directors; • Recommending for approval the remuneration of members of the Executive Management Committee; • Developing and monitoring variable remuneration policies for senior management; • Ensuring appropriate succession planning strategies are in place for key Executives within the business; • Approval of recruitment, retention and termination policies and procedures for senior management; and • Ensuring all necessary disclosures of Director and Executive remuneration is made in accordance with regulatory requirements. <p>Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Note 27 to the financial statements.</p>

¹ *Maximum aggregate remuneration for Non-Executive Directors approved by shareholders at the 1995 Annual General Meeting amounts to \$400,000.*

THE ORGANISATION EXECUTIVE MANAGEMENT COMMITTEE

COUNTRY ROAD LIMITED A.C.N 006 759 182

Country Road's Executive Management Committee comprises the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Group General Managers of the consolidated entity's business and functional groups.

The Executive Management Committee leads the implementation of the Company's vision, values and corporate strategies, as well as the day-to-day management of the business.

Clare Dobbie Group General Manager – Brand & Marketing

Ashley Gardner Chief Financial Officer & Company Secretary

Glenn Gilzean Group General Manager – Retail Operations

Sophie Holt Group General Manager – Design & Product Development

Nelson Mair Chief Operating Officer

Ian Moir Chief Executive Officer

Charlotte Riley Group General Manager – Merchandise

DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

Your Directors submit their report on the consolidated entity consisting of Country Road Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The names of the Directors of Country Road Limited in office during the year and at the date of this report are as follows:

Kenneth Macmillan Drysdale

Kevin Hayes

Annamaria Hynes

Nelson Mair

Ian Moir

Simon Susman

Norman Thomson

Michael Terry

Penelope Morris retired as a Director at the Annual General Meeting on 22 October 2003

Mark Canning resigned as a Director on 30 July 2004

Particulars of Directors' qualifications and experience are set out in the profile of the Board of Directors which forms part of this report.

Principal Activities

The principal activities of the Group are designing, wholesaling, licensing and retailing of apparel, homewear and related accessories. There has been no change in these activities during the year.

Review of Results of Operations and Likely Developments

The consolidated operating profit after income tax of the economic entity for the financial year ended 30 June 2004 was \$2,492,000. A detailed review of operations and likely developments is included in the Chief Executive Officer's Review of Operations and the Chairman's Report.

Dividends

The Directors of the Company have not paid, declared or recommended any dividends since the end of the previous financial year.

Significant Changes In the State of Affairs

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year ended 30 June 2004 not otherwise disclosed in this report or in the financial statements.

Significant Events After Balance Date

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise addressed in the Chairman's Report, the Chief Executive Officer's Review of Operations or in the financial statements that has significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent years.

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2004, and the number of meetings attended by each Director was:

	Board of Directors		Committees of the Board of Directors			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Mark Canning	4	6	–	–	3	4
Kenneth Macmillan Drysdale	6	6	6	6	–	–
Kevin Hayes	6	6	5	6	3	4
Annamaria Hynes	6	6	4	4	4	4
Nelson Mair	6	6	–	–	–	–
Ian Moir	6	6	–	–	–	–
Penelope Morris	2	2	–	–	2	2
Simon Susman	6	6	6	6	–	–
Michael Terry	4	6	–	–	–	–
Norman Thomson	6	6	6	6	–	–

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during financial year or was a member of the committee during the year.

Directors' Interests

Since the end of the financial year no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in the consolidated financial statements or fixed salary as a full-time employee of the Company) by reason of a contract made by the Company or a controlled entity with the Director or with a company of which he or she is a member or with a company in which he or she has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

Indemnification and Insurance of Directors and Officers

The Company has provided to the Directors and Officers of the economic entity an indemnity, as far as is allowable by law, against any liability arising as a result of work performed in their respective capacities as Directors and Officers.

No monetary restriction has been placed on this indemnity. The Company has paid an insurance premium of \$11,504 to cover the Group against any loss incurred as a result of the indemnity provided to the Directors and Officers. No amounts have been claimed or paid in respect of this indemnity and insurance other than the premium disclosed above.

Remuneration Report

The Remuneration Committee of the Board is responsible to review and make recommendations to the Board on remuneration policies and programs which are competitive and are designed to enhance the performance of the Company.

The Directors have elected to take advantage of the option provided by ASIC Class Order 98/2395 to transfer certain information from the Directors' Report to the financial report. As such, the remuneration policy and details of the remuneration of specified Directors and Executives are included in Note 27 of the financial report.

Rounding

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

This report has been made in accordance with a resolution of the Directors.



Kenneth Macmillan Drysdale
Director
Chairman

18 August 2004
Melbourne, Victoria



Ian Moir
Director
Chief Executive Officer

DIRECTORS' DECLARATION

COUNTRY ROAD LIMITED A.C.N 006 759 182

In accordance with a resolution of the Directors of Country Road Limited, we state that:

1. In the opinion of the Directors:
 - (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
 - (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.
2. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Kenneth Macmillan Drysdale
Director
Chairman

18 August 2004
Melbourne, Victoria



Ian Moir
Director
Chief Executive Officer

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
Revenues from ordinary activities	2	194,530	207,144	4,522	4,319
Changes in inventories of finished goods		(5,111)	(2,949)	–	–
Purchases of finished goods		(90,380)	(103,115)	–	–
Employment expenses		(39,980)	(42,818)	–	–
Occupancy expenses		(25,545)	(26,007)	–	–
Depreciation and amortisation expenses	3(a)	(6,571)	(5,473)	–	–
Marketing expenses		(9,470)	(11,102)	–	–
Other expenses from ordinary activities		(14,060)	(11,395)	(549)	(473)
Distribution centre outsourcing transition costs	3(c)	–	(723)	–	–
Closure of US operations	3(c)	–	287	–	–
Profit (loss) from ordinary activities before borrowing costs and income tax expense		3,413	3,849	3,973	3,846
Interest expense and other borrowing costs	3(a)	(947)	(1,147)	–	–
Profit (loss) from ordinary activities before income tax expense		2,466	2,702	3,973	3,846
Income tax (expense) benefit relating to ordinary activities	4	26	(327)	–	–
Profit (loss) from ordinary activities after income tax expense		2,492	2,375	3,973	3,846
Total changes in equity other than those resulting from transactions with owners as owners		2,492	2,375	3,973	3,846
Basic earnings per share (cents per share)		0.04	0.03		
Diluted earnings per share (cents per share)		0.04	0.03		

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
Current assets					
Cash assets	5	11,260	10,344	–	–
Receivables	6	8,910	9,007	8,763	4,795
Inventories	7	22,830	27,941	–	–
Income tax receivable	4	108	174	–	–
Other	8	2,676	1,252	1	1
Total current assets		45,784	48,718	8,764	4,796
Non-current assets					
Receivables	9	–	–	35,869	35,869
Investments	10	–	–	11,346	11,346
Property, plant and equipment	11	25,682	25,145	–	–
Intangibles	12	11,218	11,438	–	–
Deferred tax assets	4	107	124	–	–
Other	13	175	339	–	4
Total non-current assets		37,182	37,046	47,215	47,215
Total assets		82,966	85,764	55,979	52,011
Current liabilities					
Accounts payable	14	16,870	21,992	3	8
Interest-bearing liabilities	15	–	28	–	–
Provisions	16	2,602	2,823	–	–
Total current liabilities		19,472	24,843	3	8
Non-current liabilities					
Interest-bearing liabilities	17	10,000	10,000	–	–
Deferred tax liabilities	4	31	17	–	–
Provisions	18	762	695	–	–
Total non-current liabilities		10,793	10,712	–	–
Total liabilities		30,265	35,555	3	8
Net assets		52,701	50,209	55,976	52,003
Equity					
Contributed equity	19	80,907	80,907	80,907	80,907
Reserves	20	1,196	1,196	–	–
Accumulated losses	20	(29,402)	(31,894)	(24,931)	(28,904)
Total equity		52,701	50,209	55,976	52,003

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
Cash Flows From Operating Activities					
Receipts from customers		214,570	228,103	-	-
Payments to suppliers and employees		(207,978)	(215,710)	-	-
Interest received		99	51	-	-
Interest and other costs of finance paid		(929)	(1,005)	-	-
Rent revenue inflows		1,179	-	-	-
Income taxes and withholding taxes refunded/(paid)		137	(30)	-	-
Net cash flows from (used in) operating activities	29(a)	7,078	11,409	-	-
Cash Flows From Investing Activities					
Proceeds from the sale of property, plant and equipment		2	381	-	-
Payments for the acquisition of property, plant and equipment		(6,154)	(6,219)	-	-
Distribution centre outsourcing transition costs	3(c)	-	(723)	-	-
Net cash flows from (used in) investing activities		(6,152)	(6,561)	-	-
Net increase/(decrease) in cash held		926	4,848	-	-
Cash at beginning of the financial year		10,316	5,468	-	-
Exchange rate adjustments		18	-	-	-
Cash at end of the financial year	29(b)	11,260	10,316	-	-

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting and changes in accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. With the exception of trade names and foreign exchange hedges of specific commitments, the financial report has been prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the parent company Country Road Limited, and all entities it controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to Australian dollars at the exchange rate ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract. Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the net profit. The economic entity does not speculate on foreign currency transactions, and enters foreign exchange contracts purely for risk and volatility minimisation purposes only.

Translation of financial reports of foreign controlled entities

Country Road Clothing (N.Z.) Limited is considered to be an integrated foreign operation; its assets and liabilities are translated into Australian dollars using the temporal method, with exchange differences arising from translation of monetary items brought to account in the profit and loss account unless they relate to qualifying assets or hedge transactions for the purchase or sale of goods or services.

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(e) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Finished goods are measured at the weighted-average cost paid for the goods as determined on a first in first out basis.

(g) Property, plant and equipment

All plant and equipment is measured at cost, and is depreciated over the estimated useful life using the straight line method.

Rates of depreciation applied to plant and equipment are between 10% p.a. and 33% p.a. Leasehold improvements are amortised over the shorter of the duration of the leases or their estimated useful lives.

(h) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount. Where the recoverable amount is less than the carrying value, the asset is written down. The recoverable amount of non-current assets is determined on a discounted cash flow basis using an appropriate discount rate.

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade names

Trade names are amortised over their useful life which is estimated to be 50 years.

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The economic entity is not party to any finance leases at balance date.

Operating lease expense

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

Lessor contributions to the construction and fit-out of premises where the lessor retains ownership of the assets are accounted for as a reduction of the cost of the construction and fit-out. Where ownership of the assets is retained by the company, the lessor contributions are accounted for as a lease incentive liability and is reduced on an imputed interest basis over the remaining term of the lease.

Operating sub-lease revenue

The economic entity sub-leases out space in leased premises to sub-tenants. Revenue comprises the minimum lease payments from these sub-leases, which are recognised on a straight-line basis over the term of the lease.

(k) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(m) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues. Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

(n) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(o) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, long-service leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long-service leave and other types of benefits are recognised against profits on a net basis in their respective categories.

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Earnings used in calculating basic and diluted EPS is "Profit from ordinary activities after income tax expense" as presented in the Statement of Financial Performance. The weighted average number of ordinary shares used in calculating basic EPS are as per Note 19. No adjustments for dilutive securities are required.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods in retail stores

At point of sale.

Sale of goods to wholesale customers

Control of goods has passed to the buyer.

Interest

Upon control of the right to receive the interest revenue.

Royalties and licence fees

Upon control of a right to receive consideration for the provision of, or investment in, assets or the use of a Country Road trademark.

Operating sub-lease revenue

Upon control of a right to receive consideration for the provision of leased premises to a sub-tenant, is recognised progressively over the term of the sub-leasing contract, inclusive of early exit penalties.

(s) Derivative financial instruments

Forward exchange contracts

The consolidated entity enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currency in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the entity against the possibility of loss from future exchange rate variations. The forward exchange contracts are usually for no longer than 6 months.

Forward exchange contracts are recognised at the date the contract is entered into. Exchange gains or losses on forward exchange contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale or purchase.

Interest rate swaps

When the consolidated entity enters into interest rate swap agreements, they are used to convert the variable interest rate on its interest bearing borrowings to fixed interest rates. The swaps are entered into with the objective of reducing the risk of adverse changes in interest rates. They are not recognised in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(t) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
2 REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from sale of goods		191,328	204,727	-	-
Royalties and license fees		1,895	1,976	-	-
Total revenues from operating activities		193,223	206,703	-	-
Revenues from non-operating activities					
Interest					
Other corporations/persons		99	51	4,522	4,319
Rent revenue	1(j),1(r)	1,179	-	-	-
Proceeds from sale of property, plant & equipment		2	382	-	-
Other revenue		27	8	-	-
Total revenues from non-operating activities		1,307	441	4,522	4,319
Total revenues from ordinary activities		194,530	207,144	4,522	4,319
3 EXPENSES AND LOSSES (GAINS)					
(a) Expenses					
Cost of goods sold		95,491	106,064	-	-
Depreciation of property, plant & equipment					
Leasehold improvements		1,028	905	-	-
Fixtures, fittings and equipment		5,268	4,310	-	-
Total depreciation of property, plant & equipment		6,296	5,215	-	-
Amortisation					
Trade names		268	258	-	-
Other		7	-	-	-
Total amortisation		275	258	-	-
Borrowing costs					
Interest paid or payable to:					
Related parties					
Ultimate controlling entity		605	757	-	-
Other corporations/persons		259	316	-	-
Total interest paid		864	1,073	-	-
Other borrowing costs		83	74	-	-
Total borrowing costs		947	1,147	-	-
Bad and doubtful debts – trade		64	-	-	-
Employee entitlements		1,714	1,884	-	-
Operating lease rentals					
Minimum lease payments		20,915	21,171	-	-
Contingent rentals		269	194	-	-
Total operating lease rentals		21,184	21,365	-	-
(b) Losses (Gains)					
Net loss (gain) on sale of property, plant and equipment		42	192	-	-
Loss (gain) on translation of net assets of foreign controlled entities – unrealised		(361)	36	-	-
(c) Significant items					
Distribution centre outsourcing transition costs					
Costs incurred in outsourcing the business' Distribution Centre, including all warehousing and distribution activities.		-	723	-	-
Reversal of unused provision for US operations closure costs		-	(287)	-	-
Total significant items		-	436	-	-

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
4 INCOME TAX EXPENSE					
The prima facie tax on profit differs from the income tax provided in the financial statements as follows:					
Profit (loss) from ordinary activities before income tax expense					
		2,466	2,702	3,973	3,846
Prima facie tax thereon at 30% (2003: 30%)					
		740	811	1,192	1,154
Tax effect of permanent differences:					
Non-allowable depreciation and amortisation					
		44	77	-	-
Non-allowable expenses					
		1	1	-	-
Non-assessable capital items					
		-	(86)	-	-
Tax losses recouped					
		(817)	(533)	-	-
Effect of different rates of tax on overseas income					
		2	30	-	-
Adjustment to prior period provision					
		4	27	-	-
Group tax loss transfers					
		-	-	(1,192)	(1,154)
Income tax expense/(benefit) attributable to ordinary activities					
		(26)	327	-	-
Deferred tax assets and liabilities					
Current tax payable (receivable)					
		(108)	(174)	-	-
Provision for deferred income tax – non-current					
		31	17	-	-
Future income tax benefit – non-current					
		107	124	-	-
Unrecognised deferred tax assets and liabilities					
Net future income tax benefits arising from timing differences not brought to account as realisation of the benefit is not regarded as beyond reasonable doubt					
		3,919	3,514	-	-
Income tax losses					
Future income tax benefit arising from tax losses of controlled entities not recognised at reporting date as realisation of the benefit is not regarded as virtually certain					
		7,336	8,745	-	-
The benefit will only be obtained if:					
(i) Further assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.					
(ii) The conditions for deductibility imposed by the law continue to be complied with; and					
(iii) No changes in tax legislation adversely affect the group in realising the benefit from the deduction for the loss.					
Tax consolidation					
Effective 1 July 2003, Country Road Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. The head entity of the tax consolidated group is Country Road Limited. There has been no material effect on net deferred tax assets available to the group arising from the revised tax legislation. Country Road Limited will formally notify the Australian Tax Office of its adoption of the tax consolidation regime when lodging its 30 June 2004 consolidated tax return.					
5 CASH ASSETS					
Cash at bank					
		628	3,566	-	-
Cash on hand					
		81	134	-	-
Short-term deposits					
		10,551	6,644	-	-
Total cash assets					
	29(b)	11,260	10,344	-	-
Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 4.75% (2003: 4.25%) per annum. Short-term deposits are at call and earn interest at 5.20% (2003: 4.90%) per annum.					

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
6 RECEIVABLES (CURRENT)					
Trade debtors					
Trade debtors		8,106	8,426	–	–
Provision for doubtful debts		(193)	(129)	–	–
Trade debtors – net		7,913	8,297	–	–
Other debtors					
Other corporations/persons		997	710	–	–
Controlled entities – wholly owned		–	–	30,063	26,095
Provision for doubtful debts		–	–	(21,300)	(21,300)
Total current receivables – net	1(d)	8,910	9,007	8,763	4,795
7 INVENTORIES (CURRENT)					
Raw materials – at net realisable value		51	–	–	–
Total raw materials		51	–	–	–
Finished goods					
At cost		18,354	20,217	–	–
At net realisable value		663	1,114	–	–
Total finished goods		19,017	21,331	–	–
Stock in transit					
Finished goods – at cost		3,762	6,610	–	–
Total stock in transit		3,762	6,610	–	–
Total inventories (current)	1(f)	22,830	27,941	–	–
8 OTHER ASSETS (CURRENT)					
Prepayments		1,961	1,252	1	1
Market value change on hedges of specific commitments	32(d)	715	–	–	–
Total other assets (current)		2,676	1,252	1	1
9 RECEIVABLES (NON-CURRENT)					
Loans and other debtors					
Controlled entities – wholly owned		–	–	56,900	56,900
Provision for doubtful debts		–	–	(21,031)	(21,031)
Total receivables (non-current)	1(d)	–	–	35,869	35,869
10 INVESTMENTS (NON-CURRENT)					
Shares in controlled entities					
Unlisted at cost		–	–	54,801	54,801
Provision for diminution in value	1(e)	–	–	(43,455)	(43,455)
Total investments (non-current)		–	–	11,346	11,346
As a result of a policy of regular review, the Directors assess the carrying value of Country Road Ltd's investments in controlled entities and make appropriate provisions to ensure the carrying values do not exceed recoverable amount.					
11 PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements					
At cost		10,565	10,254	–	–
Accumulated depreciation		(4,770)	(5,042)	–	–
Total leasehold improvements – net		5,795	5,212	–	–
Fixtures, fittings and equipment					
At cost		49,499	45,179	–	–
Accumulated depreciation		(31,874)	(26,402)	–	–
Total fixtures, fittings and equipment – net		17,625	18,777	–	–
Capital works in progress		2,262	1,156	–	–
Total property, plant and equipment – net	1(g)	25,682	25,145	–	–

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
11 PROPERTY, PLANT AND EQUIPMENT (continued)					
Reconciliations					
Leasehold improvements					
Carrying amount at the beginning of the year		5,212	4,518	-	-
Foreign currency translation impact on opening balance		47	-	-	-
Additions during the year		1,592	1,740	-	-
Disposals during the year		(21)	(141)	-	-
Depreciation expense		(1,035)	(905)	-	-
Carrying amount at the end of the year		5,795	5,212	-	-
Fixtures, fittings and equipment					
Carrying amount at the beginning of the year		18,777	11,531	-	-
Foreign currency translation impact on opening balance		81	-	-	-
Additions during the year		4,104	11,994	-	-
Disposals during the year		(4)	(438)	-	-
Depreciation expense		(5,333)	(4,310)	-	-
Carrying amount at the end of the year		17,625	18,777	-	-
Capital works in progress					
Carrying amount at the beginning of the year		1,156	8,035	-	-
Additions during the year		2,164	1,173	-	-
Transfers to other asset categories		(1,058)	(8,052)	-	-
Carrying amount at the end of the year		2,262	1,156	-	-
All property, plant and equipment balances are pledged as security for credit standby facilities provided by external financiers, and related party borrowings which are subordinated to the credit standby facilities. Refer Note 24 for details on the economic entity's financing arrangements.					
12 INTANGIBLES					
Trade names					
At cost		746	698	-	-
Accumulated amortisation		(85)	(58)	-	-
Total trade names at cost – net		661	640	-	-
At deemed cost		11,520	11,520	-	-
Accumulated amortisation		(963)	(722)	-	-
Total trade names at deemed cost – net		10,557	10,798	-	-
Total intangibles – net		11,218	11,438	-	-
Reconciliations					
Trade names					
Carrying amount at the beginning of the year		11,438	11,519	-	-
Additions during the year		48	177	-	-
Amortisation expense		(268)	(258)	-	-
Carrying amount at the end of the year	1(i)	11,218	11,438	-	-
13 OTHER ASSETS (NON-CURRENT)					
Prepayments		175	339	-	-
Total other assets (non-current)		175	339	-	-
14 ACCOUNTS PAYABLE (CURRENT)					
Trade creditors		10,075	12,702	-	-
Other creditors		6,635	6,283	3	8
Market value change on hedges of specific commitments	32(d)	160	3,007	-	-
Total accounts payable (current)		16,870	21,992	3	8

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
15 INTEREST BEARING LIABILITIES (CURRENT)					
Bank overdrafts – secured	29(b),32(a)	–	28	–	–
Total interest bearing liabilities (current)		–	28	–	–
Bank overdrafts are subject to floating interest rates. The average interest rate on overdraft borrowings at balance date was 8.95% (2003: 8.45%) per annum.					
16 PROVISIONS (CURRENT)					
Employee entitlements	1(o),22	2,602	2,823	–	–
Total provisions (current)	1(n)	2,602	2,823	–	–
17 INTEREST BEARING LIABILITIES (NON-CURRENT)					
Loans – secured					
Related corporations – ultimate controlling entity	24	10,000	10,000	–	–
Total interest bearing liabilities (non-current)		10,000	10,000	–	–
18 PROVISIONS (NON-CURRENT)					
Employee entitlements	1(o),22	762	695	–	–
Total provisions (non-current)	1(n)	762	695	–	–
19 CONTRIBUTED EQUITY					
Paid up capital					
Ordinary shares		80,907	80,907	80,907	80,907
Total paid up capital	1(p)	80,907	80,907	80,907	80,907
Ordinary shares:					
The number of ordinary shares on issue at balance date was 69,056,822 (2003: 69,056,822). No shares were issued during the financial year.					
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.					
Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.					
Dividends:					
There were no franked dividends paid during the financial year (2003: \$Nil).					
Franking surplus following the payment of dividends referred to above and dividends declared, having arisen out of franking credits already in existence or which will arise from future income tax payments amount to \$13,353,545 (2003: \$13,353,545).					
20 RESERVES AND ACCUMULATED LOSSES					
Accumulated losses					
Balance at beginning of financial year		(31,894)	(34,269)	(28,904)	(32,750)
Profit (loss) from ordinary activities after income tax expense		2,492	2,375	3,973	3,846
Balance at end of financial year		(29,402)	(31,894)	(24,931)	(28,904)
Foreign currency translation reserve					
Balance at beginning of financial year		1,196	1,196	–	–
Translation adjustments		–	–	–	–
Balance at end of financial year		1,196	1,196	–	–

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

NOTES 30 JUNE 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
21 COMMITMENTS					
Capital expenditure					
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:					
not later than one year					
		1,680	1,858	-	-
Total capital expenditure committed					
		1,680	1,858	-	-
Operating lease rental					
Minimum lease payments:					
not later than one year					
		23,082	21,763	-	-
later than one year but not later than five years					
		79,052	79,943	-	-
later than five years					
		29,516	39,664	-	-
Total operating lease rental					
	1(j)	131,650	141,370	-	-
The economic entity enters into operating leases principally for the lease of stores, administration offices and office equipment. Under the terms of certain leases, contingent rentals are payable if minimum sales levels as determined in the lease are achieved.					
Operating sub-lease rental revenue					
Minimum lease payments:					
not later than one year					
		1,135	1,102	-	-
later than one year but not later than five years					
		3,914	4,562	-	-
later than five years					
		-	486	-	-
Total operating sub-lease rental revenue					
	1(j), 1(r)	5,049	6,150	-	-
The economic entity enters into arrangements to sub-lease premises to maximise productivity of available space, or as part of outsourcing arrangements to third parties.					
22 EMPLOYEE BENEFITS AND SUPERANNUATION					
Employee Benefits					
The aggregate employee benefit liability comprises:					
Accrued wages, salaries and oncosts					
		336	338	-	-
Annual and long service leave – current					
	16	2,602	2,823	-	-
Long service leave – non-current					
	18	762	695	-	-
Total employee entitlements					
		3,700	3,856	-	-
Superannuation Commitments					
The Group, through a number of Funds, provides superannuation benefits for various categories of employees. All Funds are administered externally and provide benefits for death, total disability, retirement and resignation. All benefits are provided on an accumulation of contributions basis and accordingly no actuarial assessment is required. Contributions vary from employee to employee as determined by various Awards and negotiated conditions of employment. Future company contributions required to meet the Superannuation Guarantee Charge in Australia and contributions under Awards are legally enforceable.					
23 REMUNERATION OF AUDITORS					
Amounts received or due and receivable by Ernst & Young for:					
– an audit or review of the financial report of the entity and any other entity in the consolidated entity					
		\$135,000	\$150,000	\$15,000	\$15,000
– other services in relation to the entity and any other entity in the consolidated entity					
		\$10,000	-	-	-
– taxation services in relation to the entity and any other entity in the consolidated entity					
		-	\$50,350	-	-
Total					
		\$145,000	\$200,350	\$15,000	\$15,000

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	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
24 FINANCING ARRANGEMENTS					
The economic entity had access to the following financing arrangements with a number of financial institutions which are primarily subject to annual review.					
Credit standby arrangements (a)					
Bill acceptance facilities – term	(i)	10,000	10,000	–	–
Bank overdraft	(ii)	500	500	–	–
Total credit standby arrangements		10,500	10,500	–	–
Loan – related party (b)	(iii)	10,000	10,000	–	–
Total facilities		20,500	20,500	–	–
Bank overdrafts – secured	15	–	28	–	–
Loan – related party	17	10,000	10,000	–	–
Total drawn facilities		10,000	10,028	–	–
Total undrawn facilities		10,500	10,472	–	–

Terms and conditions

- (i) All bill acceptance facilities are denominated in Australian dollars and are subject to annual review. Interest is payable at market rates (refer Note 32(a)).
- (ii) The bank overdraft is denominated in Australian dollars and interest is charged at the appropriate market rates (refer Note 32(a)). All financing facilities are subject to various covenants which relate to the financial performance of the economic entity and must be complied with on a quarterly basis.
- (iii) The related party loan is denominated in Australian dollars. Interest is charged at appropriate market rates (refer Note 32(a)). The loan is subject to annual review by virtue of the requirement for Woolworths Holdings Limited to obtain annual approval from the South African Reserve Bank to continue the provision of the loan. The South African Reserve Bank has provided consent for the facilities to be available to the economic entity until 31 December 2005.
- (a) The credit standby facilities are secured by a Registered Mortgage Debenture over all of the assets of the economic entity.
- (b) The related party loan is secured by a second Registered Mortgage Debenture over the assets of the economic entity, however this loan is subordinated to the credit standby facilities provided by other financial institutions.

25 CONTINGENT LIABILITIES

Cross Guarantee

As explained in Note 28, Country Road Limited has entered a Deed of Cross Guarantee in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. Country Road Limited and all the controlled entities who are a party to the deed have guaranteed the repayment of all current and future creditors in the event any of these companies are wound up.

Litigation

Country Road Clothing Pty Ltd, a controlled subsidiary, is currently defending legal actions brought against it. The Company denies any wrong-doing in relation to the claims brought against it, and the Board do not believe any material loss will arise from these actions. These actions are subject to dispute and cannot be reasonably quantified at this time. Costs incurred in defending these proceedings are brought to account in the Statement of Financial Performance as and when incurred. From time to time the Company and its subsidiaries are involved in litigation relating to unfair dismissal and other employment related matters. These matters, both individually and in total, are not considered material, and where appropriate, adequate provision has been made in the accounts.

26 RELATED PARTIES

Ultimate parent

Country Road Limited is the ultimate parent entity in the economic entity.

The ultimate controlling entity of the economic entity in Australia is Woolworths International (Australia) Pty Ltd.

The economic entity is ultimately controlled by Woolworths Holdings Limited, a company incorporated in South Africa.

Wholly-owned group transactions

During the year inventory was bought and sold between controlled entities within the economic entity on normal commercial terms and conditions. Interest is charged on intercompany loans, and management fees are charged between wholly-owned controlled entities, on commercial terms and conditions.

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26 RELATED PARTIES (continued)

Other related party transactions

- (a) The economic entity continues to have borrowings amounting to \$10 million from the ultimate controlling entity, Woolworths Holdings Limited. The loan is on normal commercial terms and conditions, and details are provided in Note 24.
- (b) During the year the economic entity purchased inventory amounting to \$36,442 (2003: \$97,291), and obtained consulting services to the value of \$46,479 (2003: \$0), from Woolworths Pty Ltd, a related company. These purchases were on normal commercial terms.
- (c) Certain Directors of Country Road Limited have been granted options in Woolworths Holdings Limited as part of the Woolworths Executive Share Option Plan. These options were granted by Woolworths and do not form part of the remuneration payable to the Directors by the Country Road Limited economic entity. Details of the options and the Directors entitled are (all amounts are in South African Rand currency):

Director	Offer date	No. Granted	No. Remaining	Exercise Price (SAR)
Nelson Mair	26 August 2002	411,683	329,347	R3.98
Ian Moir	14 June 2002	1,424,623	1,139,699	R3.98

27 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Executives

Specified Directors

Mark Canning	Director (Non-Executive) – resigned 30 July 2004
Kenneth Macmillan Drysdale	Chairman (Non-Executive)
Kevin Hayes	Director (Non-Executive)
Annamaria Hynes	Director (Non-Executive)
Nelson Mair	Director & Chief Operating Officer
Ian Moir	Director & Chief Executive Officer
Simon Susman	Director (Non-Executive)
Michael Terry	Director (Non-Executive)
Norman Thomson	Director (Non-Executive)
Penelope Morris	Director (Non-Executive) – resigned 22 October 2003

Specified Executives

Clare Dobbie	Group General Manager – Brand & Marketing
Ashley Gardner	Chief Financial Officer & Company Secretary
Glenn Gilzean	Group General Manager – Retail Operations
Sophie Holt	Group General Manager – Design & Product Development
Charlotte Riley	Group General Manager – Merchandise

(b) Remuneration Policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the Executive Management Committee. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such Officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. Such Officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and Country Road merchandise. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. To assist in achieving these objectives, the Remuneration Committee links the nature and amount of Executive Directors' and Officers' remuneration to the Company's financial and operational performance.

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27 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Remuneration of Specified Directors and Executives

		Primary				Post Employment		Total
		Base Salary	Directors' Fees	Bonus	Other	Superannuation	Other (i)	
Specified Directors								
Mark Canning	2004	-	30,000	-	2,849	-	-	32,849
	2003	-	30,000	-	3,415	-	-	33,415
Kenneth Macmillan Drysdale	2004	-	60,332	-	31,400	5,430	-	97,162
	2003	-	76,407	-	11,362	6,878	-	94,647
Kevin Hayes	2004	-	43,600	-	5,589	-	-	49,189
	2003	-	32,700	-	1,060	-	-	33,760
Annamaria Hynes	2004	-	40,000	-	2,425	3,600	-	46,025
	2003	-	16,111	-	2,083	1,450	-	19,644
Nelson Mair	2004	245,691	-	-	23,286	13,110	21,823	303,910
	2003	206,619	-	-	63,985	12,740	-	283,344
Ian Moir	2004	428,080	-	-	99,537	35,138	69,383	632,138
	2003	429,405	-	-	101,006	35,138	-	565,549
Penelope Morris	2004	-	20,000	-	5,471	1,800	-	27,271
	2003	-	40,000	-	3,789	3,600	-	47,389
Simon Susman	2004	-	30,000	-	3,289	-	-	33,289
	2003	-	30,000	-	1,895	-	-	31,895
Michael Terry	2004	-	40,000	-	4,806	-	-	44,806
	2003	-	16,111	-	-	-	-	16,111
Norman Thomson	2004	-	30,000	-	5,791	-	-	35,791
	2003	-	12,083	-	-	-	-	12,083
Total Remuneration	2004	673,771	293,932	-	184,443	59,078	91,206	1,302,430
	2003	636,024	253,412	-	188,595	59,806	-	1,137,837
Specified Executives								
Clare Dobbie	2004	190,003	-	-	6,894	-	-	196,897
	2003	148,126	-	-	42,395	-	-	190,521
Ashley Gardner	2004	126,655	-	-	50,930	11,409	-	188,994
	2003	130,164	-	-	29,179	11,894	-	171,237
Glenn Gilzean	2004	163,691	-	-	33,385	15,327	-	212,403
	2003	148,220	-	-	31,344	34,581	-	214,145
Sophie Holt	2004	255,791	-	-	749	23,037	-	279,577
Charlotte Riley	2004	167,613	-	20,000	13,089	17,021	-	217,723
	2003	162,706	-	-	13,871	14,916	-	191,493
Total Remuneration	2004	903,753	-	20,000	105,048	66,793	-	1,095,594
	2003	589,216	-	-	116,789	61,391	-	767,396

(i) Mr Mair & Mr Moir are participants in the Woolworths Executive Share Option Plan. The value of the options issued are included in accordance with the transitional requirements of AASB 1046 Director & Executive Disclosures by Disclosing Entities. Details in relation to options are provided in Note 26.

(d) Shareholdings of Specified Directors and Executives

No Specified Directors or Executives entered into any equity transactions with Country Road Limited during the year, nor held any shares in Country Road Limited at year end.

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28 INVESTMENTS IN CONTROLLED ENTITIES

	Note	Place of incorporation	Interest held	
			2004 %	2003 %
Country Road Limited	(a)	Australia		
Country Road Clothing Pty Ltd	(a)	Australia	100	100
Country Road Clothing (N.Z.) Limited		New Zealand	100	100
Country Road Properties Pty Ltd	(a)	Australia	100	100
Country Road Ventures Pty Ltd	(a)	Australia	100	100
Country Road Limited		UK	100	100
Country Road International Pty Ltd	(a)	Australia	100	100
Country Road (Hong Kong) Limited		Hong Kong	100	100

Notes:

Names inset indicate that shares are held by the entity immediately above the inset.

(a) These entities (the "Closed Group") have entered into a Deed of Cross Guarantee dated 12 May 1993 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each entity participating in the deed on winding-up of that entity. In addition, as a result of Class Order 98/1418 issued by the Australian Securities and Investment Commission these entities are relieved from the requirement for preparation, audit and lodgement of their financial reports.

	Closed Group	
	2004 \$000's	2003 \$000's
(i) Consolidated Statement of Financial Performance		
Operating profit	1,868	1,775
Income tax expense attributable to operating profit	–	–
Operating profit after income tax	1,868	1,775
Accumulated losses at the beginning of financial period	(10,771)	(12,546)
Total available for appropriation	(8,903)	(10,771)
Accumulated losses at the end of financial period	(8,903)	(10,771)
(ii) Consolidated Statement of Financial Position		
Current assets		
Cash assets	9,065	9,187
Receivables	6,063	6,004
Inventories	21,600	22,915
Other	1,958	1,252
Total current assets	38,686	39,358
Non-current assets		
Investments	2,979	2,979
Property, plant and equipment	23,295	22,594
Intangibles	11,218	11,436
Other	175	339
Total non-current assets	37,667	37,348
Total assets	76,353	76,706
Current liabilities		
Accounts payable	18,182	20,256
Borrowings	–	4
Provisions	2,517	2,720
Total current liabilities	20,699	22,980
Non-current liabilities		
Accounts payable	183	190
Borrowings	10,000	10,000
Provisions	762	695
Total non-current liabilities	10,945	10,885
Total liabilities	31,644	33,865
Net assets	44,709	42,841
Equity		
Contributed equity	53,612	53,612
Accumulated losses	(8,903)	(10,771)
Total equity	44,709	42,841

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	Note	Consolidated		Country Road Ltd	
		2004 \$000's	2003 \$000's	2004 \$000's	2003 \$000's
29 STATEMENT OF CASH FLOWS					
(a) Reconciliation of operating profit/(loss) after income tax to net cash flows from operating activities.					
Operating profit/(loss) after income tax		2,492	2,375	3,973	3,846
Add non-cash items					
Depreciation and amortisation	3(a)	6,571	5,473	-	-
Distribution centre outsourcing costs	3(c)	-	723	-	-
Provision for diminution in inventory		(157)	-	-	-
Net loss/(profit) on sale of fixed assets		44	192	-	-
Capital works in progress accrued		(350)	-	-	-
Net foreign currency translation (gains)/losses		(493)	-	-	-
Provision for doubtful debts					
Other corporations	3(a)	64	-	-	-
Decrease/(increase) in:					
Current assets					
Trade debtors		341	(2,082)	-	-
Loans and other debtors		(284)	1,064	(4,522)	(4,319)
Inventories		5,453	2,949	-	-
Other		(1,546)	(24)	-	-
Non-current assets					
Other		157	(339)	-	-
Future income tax benefit		23	329	-	-
Increase/(decrease) in:					
Current liabilities					
Trade creditors		(3,880)	4,042	-	-
Other creditors and accruals		(1,286)	(3,121)	549	473
Provision for income tax		74	(20)	-	-
Provisions for employee entitlements		(226)	(201)	-	-
Non-current liabilities					
Provision for deferred tax		14	(12)	-	-
Provisions for employee entitlements		67	61	-	-
Net cash flows from (used in) operating activities		7,078	11,409	-	-
(b) Reconciliation of cash					
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and in money market investments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:					
Cash at bank	5	628	3,566	-	-
Cash on hand	5	81	134	-	-
Short-term deposits	5	10,551	6,644	-	-
Bank overdraft	15	-	(28)	-	-
Total cash		11,260	10,316	-	-

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COUNTRY ROAD LIMITED A.C.N 006 759 182

30 SUBSEQUENT EVENTS

2004

There are no subsequent events after balance date that affect the operating results or financial position of the Company and its controlled entities.

2003

On 4 July 2003, Country Road entered into an alliance with Myer Grace Bros. This agreement will mean that Myer Grace Bros will be the only department store to stock Country Road. Accordingly, Country Road will cease supply to David Jones following the delivery of the October 2003 product range. The Directors do not believe this event affects the results for the year or the financial position of the Company at the end of the year.

31 SEGMENT INFORMATION

(a) Primary Segment

Geographical segments

	Australia \$000's	New Zealand \$000's	Eliminations \$000's	Interest & B'wing Costs \$000's	Total \$000's
2004					
Revenue					
Sales to customers outside the consolidated entity	173,361	17,969	–	–	191,330
Inter-segment sales	2,362	–	(2,362)	–	–
Other revenues from outside the economic entity	3,101	–	–	99	3,200
Total consolidated revenue	178,824	17,969	(2,362)	99	194,530
Results					
Segment operating profit/(loss) before tax	2,764	649	–	(947)	2,466
Income tax benefit/(expense)	–	26	–	–	26
Consolidated operating profit/(loss) after income tax	2,764	675	–	(947)	2,492
Assets					
	77,150	5,816	–	–	82,966
Liabilities					
	29,776	489	–	–	30,265
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	5,680	15	–	–	5,695
Depreciation and amortisation	6,074	497	–	–	6,571
Non-cash items other than depreciation and amortisation	25	17	–	–	42
2003					
Revenue					
Sales to customers outside the consolidated entity	183,792	20,935	–	–	204,727
Inter-segment sales	4,683	–	(4,683)	–	–
Other revenues from outside the economic entity	2,301	65	–	51	2,417
Total consolidated revenue	190,776	21,000	(4,683)	51	207,144
Results					
Segment operating profit/(loss) before tax	2,716	846	–	(1,147)	2,415
Income tax benefit/(expense)	–	(327)	–	–	(327)
Segment operating profit/(loss) after income tax	2,716	519	–	(1,147)	2,088
Reversal of unused provisions for US operations closure costs					287
Consolidated operating profit/(loss) after income tax					2,375
Assets					
	78,584	7,183	–	–	85,764
Liabilities					
	34,821	734	–	–	35,555
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	12,368	1,543	–	–	13,911
Depreciation and amortisation	4,848	625	–	–	5,473
Non-cash items other than depreciation and amortisation	(3)	195	–	–	192

(b) Secondary Segment

Business segments

The Group operates in one business segment being the wholesaling, licensing and retailing of apparel, homewear and related accessories.

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32 FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The economic entity uses derivative financial instruments to manage interest rate risk on its borrowings. From time to time, the economic entity enters into interest rate swaps which offset changes in the rates paid on floating-rate borrowings. The economic entity's exposure to interest rate risk and the effective weighted average interest rate applicable at balance date is as follows:

	Interest Rate %	Floating Interest Rate \$000's	Fixed Interest Rate Maturing in 1 Year or Less \$000's	Non-interest Bearing \$000's	Total \$000's
Financial assets					
Cash	4.75%	628	–	81	709
Short term deposits	5.20%	10,551	–	–	10,551
Trade receivables		–	–	7,913	7,913
Non-trade receivables		–	–	997	997
Total financial assets		11,179	–	8,991	20,170
Financial liabilities					
Accounts payable		–	–	16,870	16,870
Borrowings – related corporations	6.34%	10,000	–	–	10,000
Total financial liabilities		10,000	–	16,870	26,870

(b) Foreign exchange risk

The economic entity is exposed to currency exchange risk through primary financial assets and liabilities, and anticipated future transactions modified through derivative financial instruments (refer Note 32(d)). The following table summarises financial assets and liabilities by currency (in Australian dollars):

	Australian Dollars \$000's	US Dollars \$000's	New Zealand Dollars \$000's	Other Currencies \$000's	Total \$000's
Financial assets					
Cash	579	7	116	7	709
Short term deposits	10,550	–	1	–	10,551
Trade receivables	7,662	–	251	–	7,913
Non-trade receivables	941	–	56	–	997
Total financial assets	19,732	7	424	7	20,170
Financial liabilities					
Accounts payable	14,445	1,840	452	133	16,870
Borrowings – related corporations	10,000	–	–	–	10,000
Total financial liabilities	24,445	1,840	452	133	26,870

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32 FINANCIAL INSTRUMENTS (continued)

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On balance sheet financial instruments

The following table shows the major geographic concentrations of credit risk on financial assets:

	Consolidated 2004		Consolidated 2003	
	\$000's	%	\$000's	%
Financial assets				
Australia	19,732	97.8%	18,493	95.6%
Other	438	2.2%	858	4.4%
Total financial assets	20,170	100.0%	19,351	100.0%

Concentration of credit risk on financial assets are indicated by industry in the following table:

Financial assets	2004		2003	
	\$000's	%	\$000's	%
Clothing & other retailing	7,913	39.2%	8,297	42.8%
Financial institutions	11,260	55.9%	10,344	53.5%
Other	997	4.9%	710	3.7%
Total financial assets	20,170	100.0%	19,351	100.0%

Off balance sheet financial instruments

Credit risk on off balance sheet derivative and foreign exchange contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

(d) Hedging instruments

Hedges of specific commitments

At balance date, the economic entity has entered into forward exchange contracts and options designed as hedges for anticipated purchases of inventories for the financial year. These hedges have been treated as specific in accordance with UIG 33, as the approximate value of the purchase and the entities with which the transactions will be entered are presently known. Recognised deferred gains/(losses) included in receivables/(accounts payable) are shown below:

	Note	Value of Foreign Exchange Contracts and Options		Weighted Average Rate		Net Recognised Deferred Gains/(Losses)	
		2004	2003	2004	2003	2004	2003
		A\$000's	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's
Buy US Dollars							
Not longer than one year		15,037	32,928	0.72	0.61	517	(2,833)
Buy Euro							
Not longer than one year		1,213	2,974	0.59	0.55	38	(174)
Deferred gains/(losses)	8,14					555	(3,007)

(e) Net fair values

All financial assets and liabilities have been recognised at balance date at their net fair values. Deferred gains/(losses) on hedges of specific commitments are included in the carrying amount of receivables/(accounts payable) respectively as presented in Note 32(d).

(f) Terms and conditions

Receivables

- Trade debtors are non-interest bearing and generally on 30 day terms.
- Other debtors are non-interest bearing and have repayment terms between 1 day and 45 days.
- Details of the terms and conditions of related party receivables are set out in Note 26.

Other assets

- Market value change on hedges of specific commitments represents a notional receivable arising from valuing foreign exchange forward contracts to market value at balance date. Refer Note 32(d).

Accounts payable

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Other creditors are non-interest bearing and have average repayment terms of between 30 days and 90 days.
- Market value change on hedges of specific commitments represents a notional payable arising from valuing foreign exchange forward contracts to market value at balance date. Refer Note 32(d).
- Details of the terms and conditions of related party receivables are set out in Note 26.

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COUNTRY ROAD LIMITED A.C.N 006 759 182

33 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Country Road Limited has commenced transitioning its accounting policies and financial reporting from current Australian Accounting Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has allocated internal resources to conduct assessments to isolate key areas that will be impacted by the transition to IFRS. Transitional effects have been graded as either high or low, and preliminary assessments of high-impact areas have been, and continue to be, formally discussed at Audit Committee and Board level. As Country Road Limited has a June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Country Road Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where the Company believes accounting policies will change and may have an impact on the financial report.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The economic entity has implemented policies and procedures to comply with the hedge-effectiveness criteria defined by IAS 39 in order to meet the financial reporting requirements of the ultimate controlling entity Woolworths Holdings Limited. Expert advice has been sought to verify this compliance. The accounting entries arising from valuing individual effective cash flow hedges of future inventory purchase commitments to market value at balance date have been recognised in the financial statements in accordance with the requirements of AASB 1012 Foreign Currency Translation. This resulted in a net reduction in Inventories of \$555,370 at balance date (refer Note 32(d)). Under IAS 39, this adjustment would have been recorded in Equity in the balance sheet.

Intangible Assets: Trade Names

Under the Australian equivalent to IAS 38 Intangible Assets, intangible assets that are deemed to have a finite life must be amortised if material. Previous ASIC guidance as to what constitutes an indefinite life has suggested the criteria of proof is onerous, and consequently the Company has been amortising its trade names since June 1998 over an estimated useful life of 50 years. Under IAS 38, the definition of what constitutes a finite life is clearer. Intangible assets with an indefinite life will no longer be required to be amortised, and instead will be subjected to periodic asset impairment testing based on a discounted cash flow analysis. The Company believes that its Trade Names will satisfy the definition of an indefinite intangible asset under IAS 38, and therefore intend to restate the Trade Names to their original cost of \$12,000,000 when compiling the inaugural IFRS compliant financial report. The accumulated amortisation at that date will be transferred to retained earnings.

Income Taxes

Under the Australian equivalent to IAS 12 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position, or a tax-based balance sheet. To date, the Company has not identified any significant impacts from adopting this standard, as the majority of the deferred tax balances attributable to the consolidated entity have not been recognized in the consolidated balance sheet at balance date.

INDEPENDENT AUDIT REPORT TO MEMBERS OF COUNTRY ROAD LIMITED

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Country Road Limited (the company) for the year ended 30 June 2004 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Country Road Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Country Road Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Country Road Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Robert Perry
Partner
Melbourne

Date: 18 August 2004

ASX ADDITIONAL INFORMATION AS AT 11 AUGUST 2004

COUNTRY ROAD LIMITED A.C.N 006 759 182

A SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Name	Number of shares
Woolworths International (Australia) Pty Limited	60,688,384
Australian Retail Investments Pty Limited	8,173,688

B DISTRIBUTION OF EQUITY SECURITIES

Distribution schedule of holdings as at 11 August 2004:

	Number of Ordinary Shareholders	Number of Ordinary Shares
1 – 1,000	161	53,059
1,001 – 5,000	32	56,785
5,001 – 10,000	3	23,750
10,001 – 100,000	4	61,156
>100,000	2	68,862,072
Total ordinary shareholders	202	69,056,822
The number of shareholders holding less than a marketable parcel of shares are:	74	6,739

C VOTING RIGHTS

The Articles provide for

- on a show of hands: 1 vote for each fully paid or partly paid ordinary share held
- on a poll: 1 vote for each fully paid or partly paid ordinary share held

D TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares at 11 August 2004 are listed below:

	Number of shares	% Held to total shares
Woolworths International (Australia) Pty Limited	60,688,384	87.98
Australian Retail Investments Pty Limited	8,173,688	11.85
Mr Ian Edward Morton	26,886	0.04
Zandane Pty Ltd	18,689	0.03
Super John Pty Ltd	15,581	0.02
UBS Private Clients Australia Nominees Pty Ltd	10,000	0.01
Ms Monica Vinson	7,400	0.01
Ms Kerri Louise Summers	6,350	0.01
Mrs Anastasios Atgiaras & Mrs Ifigenia Atgiaras	4,579	0.01
Miss Mary Graham Neild	2,553	<0.01
Mr Ian Morton	2,544	<0.01
Merrill Lynch (Australia) Nominees Pty Ltd	2,500	<0.01
Mr John Armit	2,300	<0.01
Mrs Mary Rosa Wilson	2,241	<0.01
Mr Brad Cumming	2,211	<0.01
Mr Robert John Charles Catto	2,125	<0.01
Mrs Christine Manos	2,115	<0.01
Mr Mark Colin Enders	2,000	<0.01
J & LL Naughtin Pty Ltd	2,000	<0.01
Temway Investments Pty Ltd	2,000	<0.01
Total	68,976,146	99.96

INVESTOR INFORMATION

REGISTERED OFFICE

Country Road Limited
658 Church Street
Richmond, Victoria 3121
Australia

Telephone: 61 3 9267 1400
Facsimile: 61 3 9267 1300
Email: admin@countryroad.com.au
Website: www.countryroad.com.au

AUSTRALIAN STOCK EXCHANGE

Country Road Limited shares are quoted on the Australian Stock Exchange under ASX code CTY. Quotes can be accessed at www.asx.com.au

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
Australia

Telephone: 61 3 9415 4000
Facsimile: 61 3 9473 2555
Email: essential.registry@computershare.com.au
Website: www.computershare.com.au

OTHER INFORMATION

	30 June 2004		30 June 2003	
	Number	Area m ²	Number	Area m ²
OUR STORES				
Australia	41	19,902	35	19,052
New Zealand	4	2,884	6	3,421
Total	45	22,786	41	22,473

OUR PEOPLE*

Australia	869	870
New Zealand	98	102
Total	967	972

* Based on full-time equivalents

**CR STORES
AUSTRALIA**

NSW

**BONDI JUNCTION
CASTLE HILL
CHATSWOOD
ERINA
MACQUARIE
MIRANDA
MOSMAN
OXFORD ST
PITT ST
QVB
WARRINGAH MALL**

ACT

**CANBERRA CITY
QLD**

**BRISBANE CITY
CAIRNS
CARINDALE
INDOOROOPILLY
PACIFIC FAIR**

SA

**ADELAIDE CITY
MARION
NORWOOD
UNLEY**

TAS

HOBART

VIC

**AUST ON COLLINS
BRIGHTON
CAMBERWELL
CARLTON MENS
CARLTON WOMENS
CHADSTONE
DONCASTER
GEE LONG
MELBOURNE CENTRAL
NORTHLAND
SOUTH YARRA**

WA

**BOORAGOON
CLAREMONT
PERTH CITY
KARRINYUP**

NZ

**CHRISTCHURCH
NEWMARKET
QUEEN STREET
TAKAPUNA
WELLINGTON**

WAREHOUSE STORES

**BRANDSMART
BIRKENHEAD POINT
MOORABBIN
RICHMOND**