

CR CLOTHING  
AUSTRALIA

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ANNUAL REPORT  
2005

COUNTRY ROAD



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**‘THE BOARD AND MANAGEMENT  
TEAM REMAIN FOCUSED ON,  
AND COMMITTED TO, DRIVING  
FURTHER IMPROVEMENTS IN  
PERFORMANCE FOR THE BENEFIT  
OF ALL SHAREHOLDERS.’**

**MAC DRYSDALE**



This has been a year of consolidation for Country Road. The Company relaunched its corporate identity and new ranges in July 2004 and continued the strategy of focusing on the retail aspect of the business. Having now traded for the first year after these strategic initiatives, some key points of note were:

- Retail sales (excluding warehouse outlets) were 11.0% higher than last year, with comparable store sales 6.3% up on last year;
- Opening price point reductions improved the value equation of our merchandise;
- Sales volumes of apparel and accessories were more than 30% above last year;
- Our design timetable decreased from 14 months to 7 months; and
- Two new stores opened at Bondi Junction and Macquarie Centre in Sydney with both exceeding sales expectations in their first year of trading.

Whilst these outcomes were pleasing, profitability was negatively impacted by one-off costs associated with the rapid transitioning to the shorter design timetable, amounting to approximately \$3.5m, offsetting benefits obtained from the stronger Australian dollar. Management addressed these issues and these costs are no longer being incurred.

Market-wide promotional activity arising from the late arrival of winter weather assisted in driving sales growth, but negatively impacted the year's profitability through lower realised margins. The Company's aggressive approach to exit winter ranges reduced the risks of holding excess unseasonable inventories, and generated strong cash reserves at balance date.

The Company has reported a consolidated net profit after tax of \$3.2m. Whilst this represents an improvement on the prior year, the result improved by \$0.9m from a change in the methodology of inventory costing. This change in methodology will provide a more relevant and reliable inventory valuation going forward, will achieve consistency in comparing results with fellow retailers, and conforms with guidance provided by the Australian Tax Office.

In line with our previously stated strategy to grow the retail store base, we will be opening stores in Penrith and Parramatta this year. We are in the process of refurbishing Australia on Collins, and plan to refurbish the Adelaide City store to increase the reach of the new corporate identity.

The Board has resolved to use profits to repay debt and continue the expansion and refurbishment of our stores, and as such no dividends were declared for the year.

Ongoing improvements in working capital initiatives substantially reduced the Company's average funding requirements over the course of the year. This resulted in a \$3.0m repayment of the loan from the ultimate controlling entity, Woolworths Holdings Limited (South Africa) in February 2005.

The Board has undertaken to present in this annual report detailed disclosure quantifying estimated impacts of the transition to Australian equivalents of International Financial Reporting Standards (AIFRS). Pending any amendments to AIFRS and Interpretations thereof between now and the date of transition, the Board considers the transition project to be complete.

The Board and management team remain focussed on, and committed to, driving further improvements in performance for the benefit of all shareholders. The outlook for the retail sector from a fundamental economic perspective appears sound, but we anticipate the market will remain competitive and promotionally driven for most of the upcoming year.

The composition of the Board has not changed during the year. The Board is confident that it has the necessary skills to continue to lead the Company and fulfil its responsibilities to shareholders.

**Mac Drysdale**  
Chairman

**‘THE YEAR WAS THE FIRST OF  
THE NEW LOOK COUNTRY ROAD.  
A NEW CORPORATE IDENTITY,  
COLOURFUL AND MORE FASHIONABLE  
MERCHANDISE, SIGNIFICANTLY  
IMPROVED VALUE, A MORE RETAIL  
FOCUSSED BUSINESS AND A MORE  
RESPONSIVE SUPPLY CHAIN.’**

**IAN MOIR**



The year was the first of the new look Country Road. A new corporate identity, colourful and more fashionable merchandise, significantly improved value, a more retail focussed business and a more responsive supply chain.

## YEAR IN REVIEW

Total sales increased by 9%, with retail sales up 11% and strong comparable store growth of 6.3%. Unit volumes increased by more than 30% and prices in apparel were reduced by around 18%.

Our relationship with Myer continued to be strong. We successfully replaced all of the lost David Jones business with Myer within 12 months, albeit at slightly lower levels of profitability. Both Country Road and Myer continue to be committed to the strategic partnership. Concept stores have now been opened in most of Myer's top stores for men's and women's apparel, and more recently, homeware and childrenswear concepts have been completed.

Despite these good top line sales results, the market was one of the toughest in many years. Winter was late to arrive and consequently the last quarter was extremely difficult. This had an adverse effect on margin, with higher than planned markdowns required to clear winter stocks in preparation for the new season.

Margins were also depressed by the material one-off costs incurred in transitioning our design processes and timetable during the course of the year (approximately \$3.5m).

Steps have been taken to ensure these costs are not incurred going forward, with ranges delivered on time and in line with budgeted buying margin for the first quarter of 2005-06.

Net profit after tax for the year was \$3.2m. This result was improved by a one off credit of \$0.9m arising from a change in the methodology adopted to cost inventory, with the inclusion of distribution centre handling costs. This change will provide a more relevant and reliable measurement of inventory going forward, and improve the comparability of our results with other retailers.

Improvement in stock management continued during the year, with a substantial increase in the number of lines operating on our new replenishment systems, and stock turnover increasing accordingly. Stock levels at the end of the year were in line with the prior year (3% lower after excluding the effect of the inventory costing adjustment in the current year).

Cash flow from operations improved by more than 60%, and net cash flow during the year increased by \$2.7m, allowing the repayment of \$3.0m of the loan from Woolworths Holdings Limited in February 2005. The Company closed the year with cash on hand of \$11.9m.

## STRATEGIC FOCUS

The key initiatives undertaken in the year were to:

- Improve the fashionability of our merchandise;
- Provide greater value to our customers by reducing prices by an average of 18%;
- Improve our merchandise management through increasing availability, reducing lead times and achieving faster response;
- Continue growing our retail sales in existing stores and by opening new stores; and
- Grow the strategic relationship with Myer and replace the sales lost through our decision to concentrate on one department store chain.

## LOOKING FORWARD

The focus for next year will be on consolidating our sales growth and improving margin and profitability. The key initiatives for 2005-2006 are:

- Continued improvement in the fashionability and balance of our apparel ranges;
- Further improvement in our value equation;
- Better management of our merchandise processes to improve availability, increase speed to market and reduce costs;
- Expand our retail chain and further improve the balance of the retail/wholesale sales mix;
- Continue to improve the store experience for our customers such that it reflects our brand attributes, is engaging and exciting; and
- Improve our achieved margin through reduced levels of promotional activity and markdowns.

A handwritten signature in black ink, appearing to read 'Ian Moir', written in a cursive style.

**Ian Moir**  
Chief Executive Officer

# THE ORGANISATION BOARD OF DIRECTORS

COUNTRY ROAD LIMITED A.C.N 006 759 182

## **Kenneth Macmillan Drysdale**

Chairman

Mr Drysdale was appointed to the Board on 16 November 1995 and became Chairman on 10 April 2000. He has extensive experience in the wool industry, having served as Chairman of a number of wool industry organisations. During the past three years, Mr Drysdale has also served as a Director and Deputy Chairman of the Mitre 10 group of companies. He retired from Mitre 10 Australia Limited in February 2004. He has a Bachelor of Business Studies.

## **Ian Moir**

Chief Executive Officer

Mr Moir was appointed to the Board on 23 October 1998. He was formerly Chief Operating Officer of Country Road, before being appointed Chief Executive Officer in November 2000. 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

Mr Susman was appointed to the Board on 6 December 2000. He is currently the Chief Executive Officer and an Executive Director of Woolworths Holdings Limited (listed in South Africa) and Chairman of Woolworths Pty Ltd. He has held numerous management positions with Woolworths Pty Ltd during his 23 years with the company, and was previously with Marks & Spencer in London for 11 years.

## **Nelson Mair**

Chief Operating Officer

Mr Mair was appointed to the Board on 8 February 2002 and appointed Chief Operating Officer in January 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

Ms Hynes was appointed to the Board on 5 February 2003. Ms Hynes is currently a Non-Executive Director of Promina Group Limited. She has also held senior general management and marketing positions internationally with American Express for over 10 years. Prior to this, she was an Executive with Chemical Bank in New York, a Management Consultant at McKinsey Co in Sydney, and 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

Mr Thomson was appointed to the Board on 5 February 2003. He is currently the Director of Finance and an Executive Director of Woolworths Holdings Limited (listed in South Africa). He has been with Woolworths since 1991 and has held various positions in Logistics, Foods, Operations and Supply Chain. He holds a Bachelor of Commerce and is a qualified accountant.

## **Michael Terry**

Non-Executive Director

Mr Terry was appointed to the Board on 5 February 2003. He was most recently Executive Director of the Dewhirst Group based in the United Kingdom, where he was responsible for Group Design and Product Development. He held this position for 14 years before his retirement in January 2005. 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

Mr Hayes was appointed to the Board on 25 September 2002. Mr Hayes was Chairman of Cadbury Schweppes Australia until his retirement in 1999, and Chairman of Snackfoods Ltd between 1999 and 2002. He is currently Non-Executive Chairman of Timbercorp Limited.

## **COMPANY SECRETARY**

### **Ashley Gardner**

Mr Gardner joined the Company in 2000 and was appointed Company Secretary in 2002. Mr Gardner is currently the Chief Financial Officer of the Company. He holds a Bachelor of Commerce (Honours) 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](http://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 Company'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 Company's policy and 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 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**

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K.M. Drysdale (Chairman)  
K. Hayes  
A. Hynes  
M. Terry

#### **Non-Executive Directors**

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S. Susman  
N. Thomson

#### **Executive Directors**

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I. Moir (Chief Executive Officer)  
N. Mair (Chief Operating Officer)

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

## **BOARD INDEPENDENCE POLICY**

A Director would qualify as independent if the Director is independent of management and free of any business or other relationship that could materially interfere – or could reasonably be perceived to materially interfere – with the exercise of their unfettered and independent judgment.

### **Assessment of Independence**

It is not possible to draft a list of criteria that are appropriate to characterise, in all circumstances, whether a Non-Executive Director is independent. It is the approach and attitude of each Non-Executive Director that is critical and this must be considered in relation to each Director, whilst taking into account all other relevant factors.

A Non-Executive Director is considered to be independent when that Director is not a member of management and:

- Is not a substantial shareholder of the Company, or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such appointment;
- Within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;

- Is not a material supplier or customer of the Company or other group member, or an Officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or another group member other than as a Director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality considerations will be assessed in the context of each Director's circumstances.

### **Periodic Assessment of Independence**

The Board formally assess the independence of each Non-Executive Director on at least an annual basis when considering the composition of the Board and the Board Committees.

### **Directors' Responsibilities**

Each Non-Executive Director is obliged to provide the Board with all information necessary to allow the Board to assess the independence of the Director. Information relevant to the actual or perceived independence of a Non-Executive Director is communicated to the Chairman (via the Company Secretary) immediately.

A Director is expected to excuse themselves from discussion and consideration of issues in which their independence may be compromised by virtue or a personal or commercial interest in the matter.

### **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 Company's and 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.

## 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"> <li>• Financial reporting;</li> <li>• Internal control structure;</li> <li>• Risk management systems; and</li> <li>• External audit functions.</li> </ul> <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"> <li>• Overseeing the financial reporting process;</li> <li>• Approving the accounting policies and procedures used in the preparation of financial reports;</li> <li>• 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;</li> <li>• Ensuring that management has in place an effective internal control system over financial reporting;</li> <li>• Reviewing and recommending approval of the annual financial statements and any interim financial reports;</li> <li>• Ensuring that financial reports are prepared in accordance with generally accepted accounting principles and other relevant regulatory requirements;</li> <li>• The appointment, remuneration, monitoring and independence of the external auditor;</li> <li>• 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</li> <li>• 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.</li> </ul> <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.

<b>Committee</b>	<b>Chairperson</b>	<b>Members</b>	<b>Functions &amp; Responsibilities</b>
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"> <li>• Ensuring the remuneration strategy is consistent with market requirements and appropriate to attract and retain personnel;</li> <li>• Recommending the appropriate remuneration level for Non-Executive Directors within the aggregate limits approved by shareholders*;</li> <li>• Recommending appropriate levels of remuneration for Executive Directors;</li> <li>• Recommending for approval the remuneration of members of the Executive Management Committee;</li> <li>• Developing and monitoring variable remuneration policies for senior management;</li> <li>• Ensuring appropriate succession planning strategies are in place for key Executives within the business;</li> <li>• Approval of recruitment, retention and termination policies and procedures for senior management; and</li> <li>• Ensuring all necessary disclosures of Director and Executive remuneration is made in accordance with regulatory requirements.</li> </ul> <p>Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Note 28 to the financial statements.</p> <p><i>* Maximum aggregate remuneration for Non-Executive Directors approved by shareholders at the 1995 Annual General Meeting amounts to \$400,000.</i></p>

## **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.

## **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](http://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, the remuneration of key Executives 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 remuneration policies are provided in the Remuneration Report, which forms part of the Directors' Report.

## 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 Group General Managers of the business' key functions. 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.

**Ashley Gardner** Chief Financial Officer & Company Secretary

**Glenn Gilzean** Group General Manager - Retail Operations

**Sophie Holt** Group General Manager - Product Design & Development

**Matthew Keogh** Group General Manager - Human Resources

**Nelson Mair** Chief Operating Officer

**Ian Moir** Chief Executive Officer

# 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 2005.

## 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

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, homeware 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 2005 was \$3,202,000 (2004: \$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.

## EARNINGS PER SHARE

Basic earnings per share (cents per share)	4.64
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Diluted earnings per share (cents per share)	4.64
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## DIVIDENDS

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

No dividends are recommended in the current 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 2005 not otherwise disclosed in this report or in the financial statements.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 1 August 2005, the economic entity acquired the Country Road franchise store operating in Queenstown, New Zealand. Consideration of \$300,000 Australian dollars was paid for the business, comprising plant and equipment and goodwill. The economic entity no longer has any franchise stores.

# DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2005, and the number of meetings attended by each Director was:

	Board of Directors		Committees of the Board of Directors			
	Attended	Held*	Audit		Remuneration	
	Attended	Held*	Attended	Held*	Attended	Held*
Mark Canning	-	-	-	-	-	-
Kenneth Macmillan Drysdale	6	6	4	4	-	-
Annamaria Hynes	6	6	4	4	4	4
Kevin Hayes	6	6	4	4	4	4
Nelson Mair	6	6	-	-	-	-
Ian Moir	6	6	-	-	-	-
Simon Susman	6	6	4	4	3	3
Michael Terry	4	6	-	-	-	-
Norman Thomson	6	6	4	4	-	-

\* 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 Notes 27 and 28 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 \$9,950 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 referred to above.

## REMUNERATION REPORT

This report outlines the remuneration arrangements for Directors and Executives of Country Road Limited.

### Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To be successful, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company adopts the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre Executives;
- Link Executive rewards to the performance of the Company and the creation of shareholder value; and
- Establish appropriate, demanding performance hurdles in relation to variable Executive remuneration.

# DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

## Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for Directors, the Chief Executive Officer and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration Directors and senior managers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

## Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior manager remuneration is separate and distinct.

### Non-Executive Director Remuneration

#### *Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### *Structure*

The Company's Constitution and the ASX Listing Rules specify the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The most recent determination was at the Annual General Meeting held in November 1995 when shareholders approved an aggregate remuneration of \$400,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

The remuneration of Non-Executive Directors for the year ended 30 June 2005 is detailed below in the Remuneration of Specified Directors and Executives (Audited) section.

### Senior Manager and Executive Director Remuneration

#### *Objective*

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

#### *Structure*

In determining the level and make-up of Executive remuneration, the Remuneration Committee seeks advice from external consultants detailing market levels of remuneration for comparable Executive roles.

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration – short term incentive (STI) and long term incentive (LTI).

The proportion of fixed remuneration and variable remuneration is established for each senior manager by the Remuneration Committee.

# DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

## Fixed Remuneration

### *Objective*

The level of the fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. The Committee seeks external advice where necessary.

### *Structure*

Senior managers are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles, company merchandise and other eligible benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company. Fringe benefits tax applicable to the benefits taken by the employee is included in determining the employee's total remuneration.

## Variable Remuneration – Short Term Incentive

### *Objective*

The objective of the STI program is to link the achievement of the Company's operation targets with the remuneration received by the Executives charged with meeting these targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

### *Structure*

Actual STI payments made to each senior manager depend on the extent to which the specific operating targets set at the beginning of the year have been met. The operational targets consist of the key performance indicators critical to the Company's achievement of its short term objectives, and typically include a combination of financial and non-financial measures of performance. For certain senior managers, the Company targets must be achieved in order for any STI incentives to be payable regardless of the individual performance of the senior manager or their business unit.

## Variable Remuneration – Long Term Incentive

### *Objective*

The objective of the LTI is to reward senior managers in a manner which aligns this element of remuneration with the creation of long term shareholder wealth. As such, participation in the LTI is limited to members of the Company's Executive Management Committee.

### *Structure*

On an annual basis, the number and value of units allocated to eligible participants is determined by the Remuneration Committee based on the long term performance targets agreed by the Board as part of the strategic planning process. The reward for the participant is determined based on the extent by which the value of the units allocated increases over time from the date of allocation. Units are only valid for 3 years, after which time they expire.

## Employment Arrangements

### Chief Executive Officer

The CEO, Mr Ian Moir, is employed under a standard employment contract with no defined length of tenure. Under the terms of the employment contract with Mr Moir:

- Mr Moir may resign from his position by providing the Company with 6 months written notice;
- The Company may terminate this agreement by providing 12 months written notice or provide payment in lieu of the notice period, based on the fixed component of Mr Moir's remuneration; and
- The Company may terminate Mr Moir's contract at any time without notice if serious misconduct has occurred.

### Members of Executive Management Committee

The members of the Executive Management Committee are employed on standard employment contracts. The terms of employment for members of the Executive Management Committee are:

- The Executive may resign from their position by providing the Company with between 3 and 6 months written notice depending on their specific contract;
- The Company may terminate the employment of the Executive by providing 3 months written notice or payment in lieu of the notice period, based on the fixed component of the Executive's remuneration; and
- The Company may terminate the Executive's employment at any time without notice if serious misconduct has occurred.

# DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

## Remuneration of Specified Directors and Executives (Audited)

		Primary					Post Employment		Total
		Base Salary	Directors Fees	Bonus	Termination Payments	Other(i)	Superannuation	Other(ii)	
<b>Specified Directors</b>									
Mark Canning	2005	-	-	-	-	507	-	-	507
	2004	-	30,000	-	-	2,849	-	-	32,849
Kenneth Macmillan Drysdale	2005	-	73,530	-	-	31,675	6,618	-	111,823
	2004	-	60,332	-	-	31,400	5,430	-	97,162
Kevin Hayes	2005	-	43,600	-	-	9,304	-	-	52,904
	2004	-	43,600	-	-	5,589	-	-	49,189
Annamaria Hynes	2005	-	40,000	-	-	9,962	3,600	-	53,562
	2004	-	40,000	-	-	2,425	3,600	-	46,025
Nelson Mair	2005	256,071	-	-	-	35,019	13,934	16,834	321,858
	2004	245,691	-	-	-	23,286	13,110	21,823	303,910
Ian Moir	2005	422,756	-	-	-	101,375	37,387	62,578	624,096
	2004	428,080	-	-	-	99,537	35,138	69,383	632,138
Penelope Morris	2004	-	20,000	-	-	5,471	1,800	-	27,271
Simon Susman	2005	-	30,000	-	-	6,203	-	-	36,203
	2004	-	30,000	-	-	3,289	-	-	33,289
Michael Terry	2005	-	40,000	-	-	5,787	-	-	45,787
	2004	-	40,000	-	-	4,806	-	-	44,806
Norman Thomson	2005	-	30,000	-	-	4,455	-	-	34,455
	2004	-	30,000	-	-	5,791	-	-	35,791
<b>Total Remuneration</b>	<b>2005</b>	<b>678,827</b>	<b>257,130</b>	-	-	<b>204,287</b>	<b>61,539</b>	<b>79,412</b>	<b>1,281,195</b>
	2004	673,771	293,932	-	-	184,443	59,078	91,206	1,302,430
<b>Specified Executives</b>									
Anthony Beggs	2005	75,748	-	-	-	528	7,262	-	83,538
Clare Dobbie	2005	114,053	-	-	101,284	40,610	7,571	-	263,518
	2004	190,003	-	-	-	6,894	-	-	196,897
Ashley Gardner	2005	143,455	-	-	-	48,260	12,911	-	204,626
	2004	126,655	-	-	-	50,930	11,409	-	188,994
Glenn Gilzean	2005	163,691	-	-	-	32,975	15,327	-	211,993
	2004	163,691	-	-	-	33,385	15,327	-	212,403
Sophie Holt	2005	266,907	-	15,000	-	31,856	25,439	-	339,202
	2004	255,791	-	-	-	749	23,037	-	279,577
Matthew Keogh	2005	12,610	-	-	-	2,698	1,895	-	17,203
Charlotte Riley	2005	168,723	-	-	-	13,527	15,185	-	197,435
	2004	167,613	-	20,000	-	13,089	17,021	-	217,723
<b>Total Remuneration</b>	<b>2005</b>	<b>945,187</b>	-	<b>15,000</b>	<b>101,284</b>	<b>170,454</b>	<b>85,590</b>	-	<b>1,317,515</b>
	2004	903,753	-	20,000	-	105,047	66,794	-	1,095,594

(i) Other primary remuneration includes relocation allowances, salary packaging benefits such as motor vehicles, Country Road merchandise and any related fringe benefits tax.

(ii) Mr Mair & Mr Moir are participants in the Woolworths Executive Share Option Plan. The value of the options issued by Woolworths Holdings Limited are included as other remuneration in accordance with the transitional requirements of AASB1046 'Director & Executive Disclosures by Disclosing Entities'. Details in relation to the options issued are provided in Note 27.

# DIRECTORS' REPORT

COUNTRY ROAD LIMITED A.C.N 006 759 182

## Tax Consolidation

Effective 1 July 2003, for the purposes of Australian income taxation, Country Road Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group.

## Auditor Independence and Non-Audit Services

The Directors have received an Independence Declaration from the Company's auditor, Ernst & Young, in accordance with section 307C of the *Corporations Act 2001*. A copy of this Declaration follows the Directors Report.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

- Accounting and risk management advice \$15,000

## Rounding

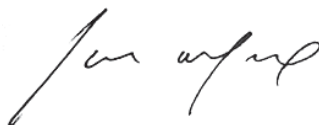
The amounts contained in this report and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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



**Kenneth Macmillan Drysdale**  
Director  
Chairman

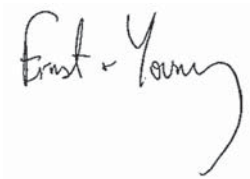
24 August 2005  
Melbourne, Victoria



**Ian Moir**  
Director  
Chief Executive Officer

**Auditor's Independence Declaration to the Directors of Country Road Limited**

In relation to our audit of the financial report of Country Road Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Robert Perry  
Partner  
Date: 24 August 2005

## 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 report, and the additional disclosures included in the Directors' Report designated as audited, 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 2005 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. This declaration has been made after receiving declarations from the Chief Executive Officer and Chief Financial Officer of the Company in accordance with the requirements of section 295A of the *Corporations Act 2001*.
3. 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 29 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.

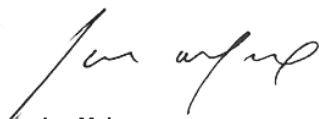
On behalf of the Board



**Kenneth Macmillan Drysdale**

Director  
Chairman

24 August 2005  
Melbourne, Victoria



**Ian Moir**  
Director  
Chief Executive Officer

# STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>Revenues from ordinary activities</b>	2	<b>211,419</b>	194,530	<b>5,644</b>	4,522
Changes in inventories of finished goods		231	(5,111)	-	-
Purchases of finished goods		(105,004)	(87,837)	-	-
Employment expenses		(42,037)	(39,980)	-	-
Occupancy expenses		(27,243)	(25,545)	-	-
Depreciation and amortisation expenses	3(a)	(6,956)	(6,571)	-	-
Marketing expenses		(8,927)	(9,470)	-	-
Other expenses from ordinary activities		(17,498)	(16,603)	(515)	(549)
<b>Profit (loss) from ordinary activities before borrowing costs and income tax expense</b>		<b>3,985</b>	3,413	<b>5,129</b>	3,973
Interest expense and other borrowing costs	3(a)	(788)	(947)	-	-
<b>Profit (loss) from ordinary activities before income tax expense</b>		<b>3,197</b>	2,466	<b>5,129</b>	3,973
<b>Income tax (expense) benefit relating to ordinary activities</b>	4	<b>5</b>	26	-	-
<b>Profit (loss) from ordinary activities after income tax expense</b>		<b>3,202</b>	2,492	<b>5,129</b>	3,973
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>3,202</b>	2,492	<b>5,129</b>	3,973
Basic earnings per share (cents per share)	1(q)	4.64	3.61		
Diluted earnings per share (cents per share)	1(q)	4.64	3.61		

# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>CURRENT ASSETS</b>					
Cash assets	5	11,917	11,260	-	-
Receivables	6	9,957	8,910	13,892	8,763
Inventories	7	23,061	22,830	-	-
Income tax receivable	4	90	108	-	-
Other	8	1,517	2,676	1	1
<b>Total current assets</b>		<b>46,542</b>	<b>45,784</b>	<b>13,893</b>	<b>8,764</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	-	-	35,869	35,869
Investments	10	-	-	11,346	11,346
Property, plant and equipment	11	27,238	25,682	-	-
Intangible assets	12	10,948	11,218	-	-
Deferred tax assets	4	118	107	-	-
Other	13	126	175	-	-
<b>Total non-current assets</b>		<b>38,430</b>	<b>37,182</b>	<b>47,215</b>	<b>47,215</b>
<b>Total assets</b>		<b>84,972</b>	<b>82,966</b>	<b>61,108</b>	<b>55,979</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	18,169	16,390	3	3
Interest-bearing liabilities	15	-	-	-	-
Provisions	16	2,656	2,602	-	-
<b>Total current liabilities</b>		<b>20,825</b>	<b>18,992</b>	<b>3</b>	<b>3</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	17	654	480	-	-
Interest-bearing liabilities	18	7,000	10,000	-	-
Deferred tax liabilities	4	39	31	-	-
Provisions	19	551	762	-	-
<b>Total non-current liabilities</b>		<b>8,244</b>	<b>11,273</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>29,069</b>	<b>30,265</b>	<b>3</b>	<b>3</b>
<b>Net assets</b>		<b>55,903</b>	<b>52,701</b>	<b>61,105</b>	<b>55,976</b>
<b>EQUITY</b>					
Contributed equity	20	80,907	80,907	80,907	80,907
Reserves	21	1,196	1,196	-	-
Accumulated losses	21	(26,200)	(29,402)	(19,802)	(24,931)
<b>Total equity</b>		<b>55,903</b>	<b>52,701</b>	<b>61,105</b>	<b>55,976</b>

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		230,755	214,570	-	-
Payments to suppliers and employees		(219,816)	(207,978)	-	-
Interest received		180	99	-	-
Interest and other costs of finance paid		(828)	(929)	-	-
Rental income receipts		1,076	1,179	-	-
Income taxes and withholding taxes refunded/(paid)		21	137	-	-
<b>Net cash flows from (used in) operating activities</b>	30(a)	<b>11,388</b>	<b>7,078</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from the sale of property, plant and equipment		189	2	-	-
Payments for the acquisition of property, plant and equipment		(7,920)	(6,154)	-	-
<b>Net cash flows from (used in) investing activities</b>		<b>(7,731)</b>	<b>(6,152)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of related party borrowings		(3,000)	-	-	-
<b>Net cash flows from (used in) financing activities</b>		<b>(3,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash held		657	926	-	-
Cash at beginning of the financial year		11,260	10,316	-	-
Exchange rate effect on opening balance		-	18	-	-
<b>Cash at the end of the financial year</b>	30(b)	<b>11,917</b>	<b>11,260</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2005

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.

#### *Inventory costing adjustment*

During the year the Company made a modification to its policy of recognising indirect costs associated with the handling and distribution of stock from the Company's distribution centres as a component of inventory. Previously these indirect costs were expensed as incurred. The modification was made to improve the relevance and reliability of the information presented in the financial report and to further comply with AASB1019 'Inventories' and guidance provided by the Australian Tax Office in Practice Statement LA2003/13. For the year ended 30 June 2005, the effect of the change in methodology was to increase the Company's profit by \$943,000. Refer Note 3(c).

### (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 uncollectible 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) 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 fixtures, fittings & 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (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.

## NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

### (o) Employee benefits

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.

### (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 20. 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 adjusted for consistency with current year disclosures, and in consideration of updated guidance and developments on AIFRS convergence since prior reporting periods.

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Revenue from sale of goods		208,553	191,328	-	-
Royalties and license fees		1,421	1,895	-	-
<b>Total revenues from operating activities</b>		<b>209,974</b>	<b>193,223</b>	<b>-</b>	<b>-</b>
<b>Revenues from non-operating activities</b>					
Interest					
Controlled entities - wholly owned		-	-	5,644	4,522
Other corporations/persons		180	99	-	-
Rent revenue	1(j),1(r)	1,076	1,179	-	-
Proceeds from sale of plant & equipment		189	2	-	-
Other revenue		-	27	-	-
<b>Total revenues from non-operating activities</b>		<b>1,445</b>	<b>1,307</b>	<b>5,644</b>	<b>4,522</b>
<b>Total revenues from ordinary activities</b>		<b>211,419</b>	<b>194,530</b>	<b>5,644</b>	<b>4,522</b>
<b>3 EXPENSES AND LOSSES (GAINS)</b>					
<b>(a) Expenses</b>					
Cost of goods sold		104,773	92,948	-	-
Depreciation of plant & equipment					
Leasehold improvements		1,196	1,028	-	-
Fixtures, fittings and equipment		5,490	5,268	-	-
<b>Total depreciation of plant &amp; equipment</b>		<b>6,686</b>	<b>6,296</b>	<b>-</b>	<b>-</b>
Amortisation					
Trade names		270	268	-	-
Other		-	7	-	-
<b>Total amortisation</b>		<b>270</b>	<b>275</b>	<b>-</b>	<b>-</b>
Borrowing costs					
Interest paid or payable to:					
Related parties – ultimate controlling entity		583	605	-	-
Other corporations/persons		141	259	-	-
Total interest paid		<b>724</b>	<b>864</b>	<b>-</b>	<b>-</b>
Other borrowing costs		64	83	-	-
<b>Total borrowing costs</b>		<b>788</b>	<b>947</b>	<b>-</b>	<b>-</b>
Bad and doubtful debts - trade		3	64	-	-
Diminution in the value of inventories		110	(157)	-	-
Employee entitlements		1,567	1,714	-	-
Operating lease rentals					
Minimum lease payments		23,361	20,915	-	-
Contingent rentals		93	269	-	-
<b>Total operating lease rentals</b>		<b>23,454</b>	<b>21,184</b>	<b>-</b>	<b>-</b>
<b>(b) Losses (Gains)</b>					
Net loss (gain) on sale of plant and equipment		59	42	-	-
Loss (gain) on translation of net assets of foreign controlled entities – unrealised		(156)	(361)	-	-

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>3 EXPENSES AND LOSSES (GAINS) (continued)</b>					
<b>(c) Specific items</b>					
Profit from ordinary activities before income tax expense includes the following specific (revenues) and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Inventory costing adjustment	1(a)	(943)	-	-	-
<i>Recovery of prior years' occupancy costs:</i>					
During the year an agreement was reached with a principal landlord for reimbursement of maintenance and other costs incurred by the Company associated with the occupancy and sub-letting of premises. The majority of the costs subject to the reimbursement had been incurred and expensed in prior years					
		(485)	-	-	-
<i>Settlement of legal action:</i>					
In June 2005, the Company settled an ongoing legal dispute with a former supplier on grounds that were commercially acceptable to the Company					
		221	-	-	-
<b>Total specific items</b>		<b>(1,207)</b>	-	-	-
<b>4 INCOME TAX EXPENSE</b>					
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		3,197	2,466	3,920*	3,973
Prima facie tax thereon at 30% (2004: 30%)		(959)	(740)	(1,176)	(1,192)
Tax effect of permanent differences:					
Non-allowable depreciation and amortisation		(81)	(44)	(81)	-
Non-allowable expenses		(26)	(1)	(24)	-
Non-assessable capital items		51	-	25	-
Timing differences not recognised		(7,263)	-	(7,038)	-
Tax losses recouped		8,294	817	8,294	-
Effect of different rates of tax on overseas income		-	(2)	-	-
Adjustment to prior period provision		(11)	(4)	-	-
Group tax loss transfers		-	-	-*	(1,192)
<b>Income tax (expense) benefit attributable to ordinary activities</b>	1(k)	<b>5</b>	<b>26</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets and liabilities</b>					
Current tax payable (receivable)		(90)	(108)	-	-
Provision for deferred income tax - non-current		39	31	-	-
Future income tax benefit - non-current		118	107	-	-
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					
		10,989	3,919	-	-
<b>Income tax losses</b>					
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	-	-

## 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. Country Road Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime upon lodgement of its 30 June 2004 consolidated tax return. There was no material effect on net deferred tax assets arising from the revised tax legislation.

\* Under the Tax Consolidation System, Country Road Limited is the head entity of the tax consolidated group, which includes the same entities in the Closed Group as disclosed in Note 29. The profit/(loss) from ordinary activities before income tax for the Closed Group as disclosed in Note 29(i) has been used to calculate prima facie tax expense for the purpose of this note.

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>5 CASH ASSETS</b>					
Cash at bank	30(b)	1,113	628	-	-
Cash on hand	30(b)	84	81	-	-
Short term deposits	30(b)	10,720	10,551	-	-
<b>Total cash assets</b>		<b>11,917</b>	<b>11,260</b>	<b>-</b>	<b>-</b>
Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 5.00% (2004: 4.75%) per annum. Short term deposits are at call and earn interest at 5.40% (2004: 5.20%) per annum.					
<b>6 RECEIVABLES (CURRENT)</b>					
Trade debtors					
Trade debtors		9,876	8,526	-	-
Provision for doubtful debts		(95)	(193)	-	-
<b>Trade debtors - net</b>		<b>9,781</b>	<b>8,333</b>	<b>-</b>	<b>-</b>
Other debtors					
Other corporations/persons		176	577	-	-
Controlled entities - wholly owned		-	-	35,192	30,063
Provision for doubtful debts		-	-	(21,300)	(21,300)
<b>Total current receivables - net</b>	1(d)	<b>9,957</b>	<b>8,910</b>	<b>13,892</b>	<b>8,763</b>
<b>7 INVENTORIES (CURRENT)</b>					
Raw materials - at net realisable value		-	51	-	-
<b>Total raw materials</b>		<b>-</b>	<b>51</b>	<b>-</b>	<b>-</b>
Finished goods					
At cost		20,138	18,354	-	-
At net realisable value		979	663	-	-
<b>Total finished goods</b>		<b>21,117</b>	<b>19,017</b>	<b>-</b>	<b>-</b>
Stock in transit					
Finished goods - at cost		1,944	3,762	-	-
<b>Total stock in transit</b>		<b>1,944</b>	<b>3,762</b>	<b>-</b>	<b>-</b>
<b>Total inventories (current)</b>	1(a),1(f)	<b>23,061</b>	<b>22,830</b>	<b>-</b>	<b>-</b>
<b>8 OTHER ASSETS (CURRENT)</b>					
Prepayments		1,370	1,961	1	1
Market value change on hedges of specific commitments	33(d)	147	715	-	-
<b>Total other assets (current)</b>		<b>1,517</b>	<b>2,676</b>	<b>1</b>	<b>1</b>
<b>9 RECEIVABLES (NON-CURRENT)</b>					
Loans and other debtors					
Controlled entities - wholly owned		-	-	56,900	56,900
Provision for doubtful debts		-	-	(21,031)	(21,031)
<b>Total receivables (non-current)</b>	1(d)	<b>-</b>	<b>-</b>	<b>35,869</b>	<b>35,869</b>
<b>10 INVESTMENTS (NON-CURRENT)</b>					
Shares in controlled entities					
Unlisted at cost		-	-	54,801	54,801
Provision for diminution in value		-	-	(43,455)	(43,455)
<b>Total investments (non-current)</b>	1(e)	<b>-</b>	<b>-</b>	<b>11,346</b>	<b>11,346</b>

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.

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>11 PLANT AND EQUIPMENT</b>					
Leasehold improvements					
At cost		11,979	10,565	-	-
Accumulated depreciation		(5,535)	(4,770)	-	-
<b>Total leasehold improvements - net</b>		<b>6,444</b>	<b>5,795</b>	<b>-</b>	<b>-</b>
Fixtures, fittings and equipment					
At cost		55,348	49,499	-	-
Accumulated depreciation		(36,314)	(31,874)	-	-
<b>Total fixtures, fittings and equipment - net</b>		<b>19,034</b>	<b>17,625</b>	<b>-</b>	<b>-</b>
Capital works in progress		1,760	2,262	-	-
<b>Total plant and equipment - net</b>	1(g)	<b>27,238</b>	<b>25,682</b>	<b>-</b>	<b>-</b>
<b>Reconciliations</b>					
Leasehold improvements					
Carrying amount at the beginning of the year		5,795	5,212	-	-
Foreign currency translation impact on opening balance		11	47	-	-
Additions during the year		2,160	1,592	-	-
Disposals during the year		(326)	(21)	-	-
Depreciation expense		(1,196)	(1,035)	-	-
Carrying amount at the end of the year		<b>6,444</b>	<b>5,795</b>	<b>-</b>	<b>-</b>
Fixtures, fittings and equipment					
Carrying amount at the beginning of the year		17,625	18,777	-	-
Foreign currency translation impact on opening balance		14	81	-	-
Additions during the year		6,908	4,104	-	-
Disposals during the year		(23)	(4)	-	-
Depreciation expense		(5,490)	(5,333)	-	-
Carrying amount at the end of the year		<b>19,034</b>	<b>17,625</b>	<b>-</b>	<b>-</b>
Capital works in progress					
Carrying amount at the beginning of the year		2,262	1,156	-	-
Foreign currency translation impact on opening balance		2	-	-	-
Additions during the year		802	2,164	-	-
Transfers to other categories		(1,306)	(1,058)	-	-
Carrying amount at the end of the year		<b>1,760</b>	<b>2,262</b>	<b>-</b>	<b>-</b>
All 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 25 for details on the economic entity's financing arrangements.					
<b>12 INTANGIBLE ASSETS</b>					
Trade names					
At cost		746	746	-	-
Accumulated amortisation		(114)	(85)	-	-
<b>Total trade names at cost - net</b>		<b>632</b>	<b>661</b>	<b>-</b>	<b>-</b>
At deemed cost		11,520	11,520	-	-
Accumulated amortisation		(1,204)	(963)	-	-
<b>Total trade names at deemed cost - net</b>		<b>10,316</b>	<b>10,557</b>	<b>-</b>	<b>-</b>
<b>Total intangibles - net</b>		<b>10,948</b>	<b>11,218</b>	<b>-</b>	<b>-</b>
<b>Reconciliations</b>					
Trade names					
Carrying amount at the beginning of the year		11,218	11,438	-	-
Additions during the year		-	48	-	-
Amortisation expense		(270)	(268)	-	-
<b>Carrying amount at the end of the year</b>	1(i)	<b>10,948</b>	<b>11,218</b>	<b>-</b>	<b>-</b>

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>13 OTHER ASSETS (NON-CURRENT)</b>					
Prepayments		126	175	-	-
<b>Total other assets (non-current)</b>		<b>126</b>	<b>175</b>	<b>-</b>	<b>-</b>
<b>14 PAYABLES (CURRENT)</b>					
Trade creditors		11,299	10,075	-	-
Other creditors		6,733	6,155	3	3
Market value change on hedges of specific commitments	33(d)	137	160	-	-
<b>Total payables (current)</b>	1(l)	<b>18,169</b>	<b>16,390</b>	<b>3</b>	<b>3</b>
<b>15 INTEREST BEARING LIABILITIES (CURRENT)</b>					
Bank overdrafts - secured	30(b),33(a)	-	-	-	-
<b>Total interest bearing liabilities (current)</b>	1(m)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>16 PROVISIONS (CURRENT)</b>					
Employee entitlements	1(o),23	2,656	2,602	-	-
<b>Total provisions (current)</b>	1(n)	<b>2,656</b>	<b>2,602</b>	<b>-</b>	<b>-</b>
<b>17 PAYABLES (NON-CURRENT)</b>					
Lease incentives	1(j)	654	480	-	-
<b>Total payables (non-current)</b>	1(l)	<b>654</b>	<b>480</b>	<b>-</b>	<b>-</b>
<b>18 INTEREST BEARING LIABILITIES (NON-CURRENT)</b>					
Loans - secured					
Related corporations - ultimate controlling entity	1(m),25	7,000	10,000	-	-
<b>Total interest bearing liabilities (non-current)</b>		<b>7,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
The loan is subject to floating interest rates. The average interest rate on the loan at balance date was 6.57% (2004: 6.34%) per annum.					
<b>19 PROVISIONS (NON-CURRENT)</b>					
Employee entitlements	1(o),23	551	762	-	-
<b>Total provisions (non-current)</b>	1(n)	<b>551</b>	<b>762</b>	<b>-</b>	<b>-</b>
<b>20 CONTRIBUTED EQUITY</b>					
<b>Paid up capital</b>					
Ordinary shares		80,907	80,907	80,907	80,907
<b>Total paid up capital</b>	1(p)	<b>80,907</b>	<b>80,907</b>	<b>80,907</b>	<b>80,907</b>

## Ordinary shares:

The number of ordinary shares on issue at balance date was 69,056,822 (2004: 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 (2004: \$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 \$13,353,959 (2004: \$13,353,545).

# NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>21 RESERVES AND ACCUMULATED LOSSES</b>					
<b>Accumulated losses</b>					
Balance at beginning of financial year		(29,402)	(31,894)	(24,931)	(28,904)
Profit (loss) from ordinary activities after income tax expense		3,202	2,492	5,129	3,973
Balance at end of financial year		(26,200)	(29,402)	(19,802)	(24,931)
<b>Foreign currency translation reserve</b>					
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.					
<b>22 COMMITMENTS</b>					
<b>Capital expenditure</b>					
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:					
not later than one year		1,678	1,680	-	-
<b>Total capital expenditure committed</b>		1,678	1,680	-	-
<b>Operating lease rental</b>					
Minimum lease payments:					
not later than one year		21,803	23,082	-	-
later than one year but not later than five years		72,017	79,052	-	-
later than five years		28,674	29,516	-	-
<b>Total operating lease rental</b>	1(j)	122,494	131,650	-	-
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.					
<b>Operating sub-lease rental revenue</b>					
Minimum lease receipts:					
not later than one year		1,105	1,135	-	-
later than one year but not later than five years		2,047	3,914	-	-
<b>Total operating sub-lease rental revenue</b>	1(j),1(r)	3,152	5,049	-	-
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.					
<b>23 EMPLOYEE BENEFITS AND SUPERANNUATION</b>					
<b>Employee Benefits</b>					
The aggregate employee benefit liability comprises:					
Accrued wages, salaries and oncosts		595	336	-	-
Annual and long service leave - current	16	2,656	2,602	-	-
Long service leave - non-current	19	551	762	-	-
<b>Total employee entitlements</b>		3,802	3,700	-	-
<b>Superannuation Commitments</b>					
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.					

## NOTES 30 JUNE 2005

COUNTRY ROAD LIMITED A.C.N 006 759 182

	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>24 REMUNERATION OF AUDITORS</b>					
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					
		\$145,000	\$135,000	\$15,000	\$15,000
Other services in relation to the entity and any other entity in the consolidated entity					
		\$15,000	\$10,000	-	-
<b>Total</b>		<b>\$160,000</b>	<b>\$145,000</b>	<b>\$15,000</b>	<b>\$15,000</b>
<b>25 FINANCING ARRANGEMENTS</b>					
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 facility - term	(i)	-	10,000	-	-
Cash advance facility	(i)	10,000	-	-	-
Bank overdraft	(ii)	500	500	-	-
<b>Total credit standby arrangements</b>		<b>10,500</b>	<b>10,500</b>	<b>-</b>	<b>-</b>
Loan - related party (b)	(iii)	7,000	10,000	-	-
<b>Total facilities</b>		<b>17,500</b>	<b>20,500</b>	<b>-</b>	<b>-</b>
Bank overdrafts - secured	15	-	-	-	-
Loan - related party	18	7,000	10,000	-	-
<b>Total drawn facilities</b>		<b>7,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
<b>Total undrawn facilities</b>		<b>10,500</b>	<b>10,500</b>	<b>-</b>	<b>-</b>

### Terms and conditions

- (i) Facilities are denominated in Australian dollars and are subject to annual review. Interest is payable at market rates (refer Note 33(a)).
- (ii) The bank overdraft is denominated in Australian dollars and interest is charged at appropriate market rates (refer Note 33(a)). All financing facilities are subject to various covenants which relate to the financial performance of the economic entity on a quarterly basis.
- (iii) The related party loan is denominated in Australian dollars. Interest is charged at appropriate market rates (refer Note 33(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 2006.

- (a) The credit standby facilities are secured by a Registered Mortgage Debenture over all assets of the economic entity.
- (b) The related party loan is secured by a second Registered Mortgage Debenture over all assets of the economic entity, but subordinated to the credit standby facilities provided by other financial institutions.

## 26 CONTINGENT LIABILITIES

### Cross Guarantee

As explained in Note 29, 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

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.

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COUNTRY ROAD LIMITED A.C.N 006 759 182

### 27 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.

#### Transactions with Director-related entities

During the year the Company arranged insurance for its owned and novated motor vehicle fleet in respect of the financial year ending 30 June 2006 with Vero Insurance Limited, an entity of which a Director of the Company, Ms Anna Hynes, is also a Director. These premiums amount to \$16,430.

Other related party transactions

- (a) The economic entity continues to have borrowings amounting to \$7 million Australian dollars from the ultimate controlling entity, Woolworths Holdings Limited. The loan is subject to normal commercial terms and conditions. Refer Note 25.
- (b) During the year the economic entity purchased inventory amounting to \$0 (2004: \$36,442), and obtained consulting services to the value of \$33,750 (2004: \$46,479), from Woolworths Pty Ltd, a related company. These transactions were on normal commercial terms.
- (c) Certain Executive Directors of Country Road Limited have been granted options in Woolworths Holdings Limited, the ultimate controlling entity, 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 Executive Directors by Country Road Limited. However, the value of the options has been determined in accordance with the requirements of AASB1046 'Director and Executive Disclosures by Disclosing Entities' and included in the remuneration table which forms part of Directors Report in order to ensure full disclosure of the nature and source of directors and executives remuneration. Details of the options and the Executive Directors entitled are provided below (all amounts are in South African Rand currency):

Executive Director	Offer date	No. Granted	No. Remaining	Exercise Price (SAR)
Nelson Mair	26 August 2002	411,683	247,010	R3.98
Ian Moir	14 June 2002	1,424,623	854,774	R3.98

### 28 DIRECTOR AND EXECUTIVE DISCLOSURES

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures for their Specified Directors and Specified Executives in their annual financial reports by Accounting Standard AASB1046 'Director and Executive Disclosures by Disclosing Entities'. These remuneration disclosures are provided in the Directors' Report and are designated as audited.

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## 29 INVESTMENTS IN CONTROLLED ENTITIES

	Note	Place of incorporation	Interest held	
			2005 %	2004 %
Country Road Limited	(a)	Australia		
Country Road Clothing Pty Ltd	(a)	Australia	100	100
Country Road Clothing (N.Z.) Ltd		New Zealand	100	100
Country Road Properties Pty Ltd	(a)	Australia	100	100
Country Road Ventures Pty Ltd	(a)	Australia	100	100
Country Road Ltd		UK	100	100
Country Road International Pty Ltd	(a)	Australia	100	100
Country Road (Hong Kong) Ltd		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.

	Note	Closed Group	
		2005 \$000's	2004 \$000's
<b>(i) Consolidated Statement of Financial Performance</b>			
Operating profit		3,920	1,868
Income tax expense attributable to operating profit	4	-	-
Operating profit after income tax		3,920	1,868
Accumulated losses at the beginning of financial period		(8,903)	(10,771)
Total available for appropriation		(4,983)	(8,903)
Accumulated losses at the end of financial period		(4,983)	(8,903)
<b>(ii) Consolidated Statement of Financial Position</b>			
<b>Current assets</b>			
Cash assets		11,722	9,065
Receivables		7,222	6,063
Inventories		20,666	21,600
Other		1,350	1,958
<b>Total current assets</b>		<b>40,960</b>	<b>38,686</b>
<b>Non-current assets</b>			
Investments		2,979	2,979
Plant and equipment		24,796	23,295
Intangible assets		10,948	11,218
Other		126	175
<b>Total non-current assets</b>		<b>38,849</b>	<b>37,667</b>
<b>Total assets</b>		<b>79,809</b>	<b>76,353</b>
<b>Current liabilities</b>			
Payables		20,474	18,182
Provisions		2,576	2,517
<b>Total current liabilities</b>		<b>23,050</b>	<b>20,699</b>
<b>Non-current liabilities</b>			
Payables		169	183
Borrowings		7,000	10,000
Provisions		961	762
<b>Total non-current liabilities</b>		<b>8,130</b>	<b>10,945</b>
<b>Total liabilities</b>		<b>31,180</b>	<b>31,644</b>
<b>Net assets</b>		<b>48,629</b>	<b>44,709</b>
<b>Equity</b>			
Contributed equity		53,612	53,612
Accumulated losses		(4,983)	(8,903)
<b>Total equity</b>		<b>48,629</b>	<b>44,709</b>

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	Note	Consolidated		Country Road Ltd	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<b>30 STATEMENT OF CASH FLOWS</b>					
<b>(a) Reconciliation of operating profit/(loss) after income tax to net cash flows from operating activities.</b>					
<b>Operating profit/(loss) after income tax</b>		<b>3,202</b>	2,492	<b>5,129</b>	3,973
<b>Add non-cash items</b>					
Depreciation and amortisation	3(a)	6,956	6,571	-	-
Market valuation of non-specific hedges		(13)	-	-	-
Lease incentive contributions - amortisation		(254)	-	-	-
Provision for diminution in inventory		110	(157)	-	-
Loss on sale of plant and equipment		59	44	-	-
Capital works in progress accruals and transfers		(289)	(350)	-	-
Net foreign currency translation (gains)/losses		(62)	(493)	-	-
Inventory costing adjustment	3(c)	(943)	-	-	-
Provision for doubtful debts					
Other corporations	3(a)	3	64	-	-
<b>Decrease/(increase) in:</b>					
<b>Current assets</b>					
Trade debtors		(1,448)	341	-	-
Loans and other debtors		401	(284)	(5,129)	(3,968)
Inventories		636	5,453	-	-
Other		1,159	(1,546)	-	-
<b>Non-current assets</b>					
Other		49	157	-	-
Future income tax benefit		(11)	23	-	-
<b>Increase/(decrease) in:</b>					
<b>Current liabilities</b>					
Trade creditors		1,226	(3,880)	-	-
Other creditors and accruals		564	(1,286)	-	(5)
Provision for income tax		18	74	-	-
Provisions for employee entitlements		54	(226)	-	-
<b>Non-current liabilities</b>					
Provision for deferred tax		8	14	-	-
Other provisions		174	-	-	-
Provisions for employee entitlements		(211)	67	-	-
<b>Net cash flows from (used in) operating activities</b>		<b>11,388</b>	7,078	-	-
<b>(b) Reconciliation of cash</b>					
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	1,113	628	-	-
Cash on hand	5	84	81	-	-
Short term deposits	5	10,720	10,551	-	-
Bank overdraft	15	-	-	-	-
<b>Total cash</b>		<b>11,917</b>	11,260	-	-

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## 31 SUBSEQUENT EVENTS

### 2005

On 1 August 2005, the Company acquired the Country Road franchise store in Queenstown New Zealand. The cost of this acquisition amounted to \$300,000 Australian dollars, being for the purchase of property, plant and equipment, and goodwill. The accounting impact of the acquisition on the Statement of Financial Performance is not considered material, and will be recognised in next year's financial report.

### 2004

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

## 32 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
<b>2005</b>					
<b>Revenue</b>					
Sales to customers outside the consolidated entity	190,404	18,149	-	-	208,553
Inter-segment sales	2,424	-	(2,424)	-	-
Other revenues from outside the economic entity	2,619	67	-	180	2,866
<b>Total consolidated revenue</b>	<b>195,447</b>	<b>18,216</b>	<b>(2,424)</b>	<b>180</b>	<b>211,419</b>
<b>Results</b>					
Segment operating profit/(loss) before tax	4,708	106	(829)	(788)	3,197
Income tax benefit/(expense)	-	5	-	-	5
<b>Consolidated operating profit/(loss) after income tax</b>	<b>4,708</b>	<b>111</b>	<b>(829)</b>	<b>(788)</b>	<b>3,202</b>
<b>Assets</b>	<b>79,528</b>	<b>5,444</b>	<b>-</b>	<b>-</b>	<b>84,972</b>
<b>Liabilities</b>	<b>28,164</b>	<b>905</b>	<b>-</b>	<b>-</b>	<b>29,069</b>
<b>Other segment information</b>					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	7,820	551	-	-	8,371
Depreciation and amortisation	6,433	523	-	-	6,956
Non-cash items other than depreciation and amortisation	59	-	-	-	59
<b>2004</b>					
<b>Revenue</b>					
Sales to customers outside the consolidated entity	173,359	17,969	-	-	191,328
Inter-segment sales	2,362	-	(2,362)	-	-
Other revenues from outside the economic entity	3,103	-	-	99	3,202
<b>Total consolidated revenue</b>	<b>178,824</b>	<b>17,969</b>	<b>(2,362)</b>	<b>99</b>	<b>194,530</b>
<b>Results</b>					
Segment operating profit/(loss) before tax	2,748	267	398	(947)	2,466
Income tax benefit/(expense)	-	26	-	-	26
<b>Consolidated operating profit/(loss) after income tax</b>	<b>2,748</b>	<b>293</b>	<b>398</b>	<b>(947)</b>	<b>2,492</b>
<b>Assets</b>	<b>77,150</b>	<b>5,816</b>	<b>-</b>	<b>-</b>	<b>82,966</b>
<b>Liabilities</b>	<b>29,776</b>	<b>489</b>	<b>-</b>	<b>-</b>	<b>30,265</b>
<b>Other segment information</b>					
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

### (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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### 33 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
<b>Financial assets</b>					
Cash	5.00%	1,113	-	84	1,197
Short term deposits	5.40%	10,720	-	-	10,720
Trade receivables		-	-	9,781	9,781
Non-trade receivables		-	-	176	176
<b>Total financial assets</b>		<b>11,833</b>	<b>-</b>	<b>10,041</b>	<b>21,874</b>
<b>Financial liabilities</b>					
Payables		-	-	18,169	18,169
Borrowings - related corporations	6.57%	7,000	-	-	7,000
<b>Total financial liabilities</b>		<b>7,000</b>	<b>-</b>	<b>18,169</b>	<b>25,169</b>

#### (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 33(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
<b>Financial assets</b>					
Cash	1,007	115	28	47	1,197
Short term deposits	10,600	-	120	-	10,720
Trade receivables	9,754	-	102	-	9,856
Non-trade receivables	75	-	26	-	101
<b>Total financial assets</b>	<b>21,436</b>	<b>115</b>	<b>276</b>	<b>47</b>	<b>21,874</b>
<b>Financial liabilities</b>					
Payables	12,828	4,667	495	179	18,169
Borrowings - related corporations	7,000	-	-	-	7,000
<b>Total financial liabilities</b>	<b>19,828</b>	<b>4,667</b>	<b>495</b>	<b>179</b>	<b>25,169</b>

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### 33 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 2005		Consolidated 2004	
	\$000's	%	\$000's	%
<b>Financial assets</b>				
Australia	21,436	98.0%	19,732	97.8%
Other	438	2.0%	438	2.2%
<b>Total financial assets</b>	<b>21,874</b>	<b>100.0%</b>	20,170	100.0%

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

Financial assets	2005		2004	
	\$000's	%	\$000's	%
Clothing & other retailing	9,781	44.7%	7,913	39.2%
Financial institutions	11,917	54.5%	11,260	55.9%
Other	176	0.8%	997	4.9%
<b>Total financial assets</b>	<b>21,874</b>	<b>100.0%</b>	20,170	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)	
		2005	2004	2005	2004	2005	2004
		A\$000's	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's
<b>Buy US Dollars</b>							
Not longer than one year		29,508	15,037	0.77	0.72	103	517
<b>Buy Euro</b>							
Not longer than one year		1,747	1,213	0.60	0.59	(93)	38
<b>Deferred gains/(losses)</b>	1(s),8,14					<b>10</b>	<b>555</b>

#### (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 33(d).

#### (f) Terms and conditions

##### Receivables

- Trade debtors are non-interest bearing and generally on terms of 30 days or less.
- Other debtors are non-interest bearing and have repayment terms between 1 day and 45 days.
- Current and Non-current receivables from controlled entities are interest-bearing and are of a long-term nature with no established payment terms.

##### 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 33(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 33(d).

## NOTES 30 JUNE 2005

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### 34 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Country Road Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Since October 2003, the Company has allocated internal resources to conduct assessments to isolate key areas that will be impacted by the transition to AIFRS. Transitional effects have been graded as either high or low, and preliminary assessments have been, and continue to be, formally discussed at Audit Committee and Board level. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, being the Company's transition date to AIFRS. This will form the basis of accounting for Australian equivalents of AIFRS in the future, and is required when the Company prepares its first fully AIFRS 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 on adoption of AIFRS, and our best estimate of the quantitative impact on the consolidated economic entity of the changes on total equity as at 30 June 2005, and on net profit for the year ended 30 June 2005. Management have additionally elected to present below our best estimate of the consolidated Statement of Financial Performance and Statement of Financial Position as at 30 June 2005, and for the year ended thereon, under the AIFRS framework. The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by management; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

As the impact of AIFRS on the parent company's financial statements is not expected to be material, disclosures for the consolidated entity only have been presented below:

#### (a) Reconciliation of consolidated equity as presented under AGAAP to that under AIFRS

		Consolidated	
		2005	2004
		\$000's	\$000's
<b>Total equity under AGAAP</b>		<b>55,903</b>	52,701
<b>Adjustments to retained losses (before tax)</b>			
Straight-line measurement of lease expense with fixed annual escalation	(i)	<b>(4,653)</b>	(4,176)
Transfer of balance from foreign currency translation reserve	(ii)	<b>1,196</b>	1,196
Amortisation of trade names	(iv)	<b>241</b>	-
<b>Adjustments to other reserves (before tax)</b>			
Transfer of balance of foreign currency translation reserve to retained losses	(ii)	<b>(1,196)</b>	(1,196)
Hedging reserve	(iii)	<b>10</b>	555
<b>Total equity under AIFRS</b>		<b>51,501</b>	49,080

- (i) Currently AGAAP allows lease payments to be recognised as an expense in accordance with the payment cycle defined in the lease. IAS17 'Leases' requires lease payments be recognised as an expense on a straight line basis when the value of the future lease payments can be determined. Therefore leases with a fixed annual escalation will be recognised as an expense on a straight line basis over the life of the lease. This adjustment represents the retrospective application of AASB117 'Leases' upon transition.
- (ii) AASB1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' allows accumulated translation differences balances to be deemed zero at the date of transition to IFRS. Therefore the balance of the foreign currency translation reserve, which has been frozen since 1999, will be transferred to retained losses upon transition.
- (iii) The economic entity has implemented policies and procedures to comply with the hedge-effectiveness criteria defined by AASB139 'Financial Instruments: Recognition and Measurement'. Expert advice has been sought to verify this compliance. The accounting entries arising from valuing individual effective cash flow hedges of specific future inventory purchase commitments to market value at balance date have been recognised in the financial statements in Inventories in accordance with the requirements of AASB1012 'Foreign Currency Translation'. Under AASB139, this adjustment would have been recorded in Equity in the balance sheet.
- (iv) Currently AGAAP requires intangible assets that are deemed to have a finite life to be amortised if material. Consequently the Company has been amortising its trade names since June 1998 over an estimated useful life of 50 years. Under AASB138 'Intangible Assets', 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 methodology. The Company believes its Trade Names will satisfy the definition of an intangible asset with an indefinite useful life under AASB138, and therefore will cease amortising the trade names from 1 July 2005. Amortisation expense amounting to \$241,000 would not have been incurred had this policy been adopted in 2005.

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	Note	Consolidated		
		AGAAP 2005 \$000's	Adjustment 2005 \$000's	AIFRS 2005 \$000's
<b>34 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)</b>				
<b>(b) Estimated Consolidated AIFRS Statement of Financial Performance</b>				
<b>Revenues from ordinary activities</b>		211,419	-	211,419
Changes in inventories of finished goods	(iii)	231	(545)	(314)
Purchases of finished goods	(iii)	(105,004)	545	(104,459)
Employment expenses		(42,037)	-	(42,037)
Occupancy expenses		(27,243)	(476)	(27,719)
Depreciation and amortisation expenses	(iv)	(6,956)	241	(6,715)
Marketing expenses		(8,927)	-	(8,927)
Other expenses from ordinary activities	(i)	(17,498)	-	(17,498)
<b>Profit (loss) from ordinary activities before borrowing costs and income tax expense</b>		3,985	(235)	3,750
Interest expense and other borrowing costs		(788)	-	(788)
<b>Profit (loss) from ordinary activities before income tax expense</b>		3,197	(235)	2,962
<b>Income tax (expense) benefit relating to ordinary activities</b>		5	-	5
<b>Profit (loss) from ordinary activities after income tax expense</b>		3,202	(235)	2,967
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		3,202	(235)	2,967
Basic earnings per share (cents per share)		4.64	(0.34)	4.30
Diluted earnings per share (cents per share)		4.64	(0.34)	4.30
<b>(c) Estimated Consolidated AIFRS Statement of Financial Position</b>				
<b>Current assets</b>				
Cash assets		11,917	-	11,917
Receivables		9,957	-	9,957
Inventories	(iii)	23,061	10	23,071
Income tax receivable		90	-	90
Other		1,517	-	1,517
<b>Total current assets</b>		46,542	10	46,552
<b>Non-current assets</b>				
Plant and equipment		27,238	-	27,238
Intangible assets	(iv)	10,948	241	11,189
Deferred tax assets		118	-	118
Other		126	-	126
<b>Total non-current assets</b>		38,430	241	38,671
<b>Total assets</b>		84,972	251	85,223
<b>Current liabilities</b>				
Payables	(i)	18,169	36	18,205
Provisions		2,656	-	2,656
<b>Total current liabilities</b>		20,825	36	20,861
<b>Non-current liabilities</b>				
Payables	(i)	654	4,617	4,617
Interest-bearing liabilities		7,000	-	7,000
Deferred tax liabilities		39	-	39
Provisions		551	-	1,205
<b>Total non-current liabilities</b>		8,244	4,617	12,861
<b>Total liabilities</b>		29,069	4,653	33,722
<b>Net assets</b>		55,903	(4,402)	51,501
<b>Equity</b>				
Contributed equity		80,907	-	80,907
Reserves	(ii),(iii)	1,196	(1,186)	10
Accumulated losses	(i),(ii),(iv)	(26,200)	(3,216)	(29,416)
<b>Total equity</b>		55,903	(4,402)	51,501

## **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 2005 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 2005. 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 and the additional disclosures included in the directors' report designated as audited ('the additional disclosures'):

- Remuneration table of Specified Directors and Executives within the directors' 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.

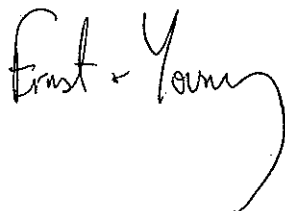
**Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

**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 2005 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: 24 August 2005

## ASX ADDITIONAL INFORMATION AS AT 9 AUGUST 2005

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	8,173,690

### B DISTRIBUTION OF EQUITY SECURITIES

Distribution schedule of holdings as at 29 July 2005 (last available date):

	Number of Ordinary Shareholders	Number of Ordinary Shares
1 - 1,000	157	51,010
1,001 - 5,000	34	64,632
5,001 - 10,000	1	7,400
10,001 - 100,000	5	71,708
>100,000	2	68,862,072
<b>Total ordinary shareholders</b>	<b>199</b>	<b>69,056,822</b>
The number of shareholders holding less than a marketable parcel of shares are:	81	8,421

### 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 9 August 2005 are listed below:

	Number of shares	% Held to total shares
1 Woolworths International (Australia) Pty Limited	60,688,384	87.88
2 Australian Retail Investments Pty Limited	8,173,688	11.84
3 Zandane Pty Ltd	29,897	0.04
4 Ms Kerri Louise Summers	15,893	0.02
5 Super John Pty Ltd	14,082	0.02
6 Mr Ian Edward Morton	11,836	0.02
7 Ms Monica Vinson	7,400	0.01
8 UBS Private Clients Australia Nominees Pty Ltd	5,000	0.01
9 Mrs Anastasios Atgiaras & Mrs Ifigenia Atgiaras	4,579	0.01
10 Mr Brad Cumming <The B&L Cumming Super Fund>	3,400	<0.01
11 Miss Mary Graham Neild	2,553	<0.01
12 Mr James Bramwell	2,450	<0.01
13 Mr John Armit	2,300	<0.01
14 Mrs Mary Rosa Wilson	2,241	<0.01
15 Mr Brad Cumming <Emily & Georgie Cumming A/C>	2,211	<0.01
16 Mr Robert John Charles Catto	2,125	<0.01
17 Mrs Christine Manos	2,115	<0.01
18 Dimarca Pty Ltd	2,000	<0.01
19 J & LL Naughtin Pty Ltd	2,000	<0.01
20 Mr Juan Carlos Fuentes	2,000	<0.01
<b>Total</b>	<b>68,976,154</b>	<b>99.88</b>

## 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](mailto:admin@countryroad.com.au)  
Website: [www.countryroad.com.au](http://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](http://www.asx.com.au).

### SHARE REGISTRY

Computershare Investor Services Pty Limited  
Location:  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria 3067  
AUSTRALIA

Mail:  
The Registrar  
Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne, Victoria 3001  
AUSTRALIA  
Telephone (Aust): 1300 85 05 05  
Telephone (Intnl): +61 3 9415 4000  
Facsimile (Aust): 1300 137 341  
Facsimile (Intnl): +61 3 9473 2563  
Email: [essential.registry@computershare.com.au](mailto:essential.registry@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## OTHER INFORMATION

	2005		2004	
	Number	Area m <sup>2</sup>	Number	Area m <sup>2</sup>
<b>OUR STORES</b>				
Australia	41	20,186	40	19,593
New Zealand	6	3,353	5	3,193
<b>Total</b>	<b>47</b>	<b>23,539</b>	45	22,786

### OUR PEOPLE\*

Australia	824	869
New Zealand	101	98
<b>Total</b>	<b>925</b>	967

\* Based on full-time equivalents

COUNTRY ROAD STORES

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,  
INDOOOROPILLY, PACIFIC FAIR SA ADELAIDE CITY,  
MARION, NORWOOD, UNLEY  
TAS HOBART VIC AUST ON COLLINS, BRIGHTON,  
CAMBERWELL, CARLTON MENS, CARLTON  
WOMENS, CHADSTONE, DONCASTER, GEELONG,  
MELBOURNE CENTRAL, NORTHLAND,  
SOUTH YARRA WA BOORAGOON, CLAREMONT,  
PERTH CITY, KARRINYUP NZ CHRISTCHURCH,  
NEWMARKET, QUEEN STREET, QUEENSTOWN,  
SHORE CITY, TAKAPUNA, WELLINGTON  
WAREHOUSE STORES BIRKENHEAD POINT,  
BRISBANE, HOMEBUSH, MOORABBIN,  
RICHMOND, WESTGATE (NZ)