

# COUNTRY ROAD

ANNUAL REPORT 2008



Country Road is an Australian icon. A lifestyle brand famous for its quality, beauty and relaxed simple style.

The brand encompasses womenswear, menswear, accessories, childrenswear, babywear and homeware.

It is a brand that for over thirty years has represented the best that Australia has to offer. Its unique approach to colour and styling, its use of beautiful fabrics and yarns and the quality and craftsmanship of its make have been the cornerstones of its success.

A great international brand that is desirable, accessible and at its heart Australian.

**THE AUSTRALIAN WAY OF LIFE IS UNIQUE AND HIGHLY DESIRABLE. IT IS A COUNTRY THAT IS BOTH INCREDIBLY OLD BUT VERY NEW. IT HAS A LIGHT, A LANDSCAPE, A COLOUR THAT SETS IT APART. IT ENJOYS A LIFESTYLE THAT IS COSMOPOLITAN, OPEN, RELAXED YET STYLISH AND HIGHLY ENJOYABLE. ITS PEOPLE ARE FREE SPIRITED AND ENTERPRISING. IT IS THIS MODERN AUSTRALIAN LIFESTYLE THAT LIES AT THE CORE OF THE COUNTRY ROAD BRAND.**



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This was the first full year of operation for the new retail-only Country Road business. After a 5-year journey of significant change, our business continues to realise the benefits of our long-term vision of becoming a more simplified, focused and accessible retail business, with greater control over our own destiny. Our growth in profit before tax of 52.4% to \$14.0m (2007: \$9.1m) is testament to this long-held vision. Country Road now offers an outstanding value proposition that has significantly improved our market position.

With the improvement in the operating performance of the Group, the Directors were pleased to announce a fully franked total dividend of 8.31 cents per fully paid ordinary share, representing growth to shareholders of 14.8% on last year's total dividend of 7.24 cents per share.

Our consolidated sales increased by 21.9% on last year. Whilst the increase in total sales benefited from the replacement of wholesale sales with retail sales in our concession outlets within Myer and David Jones, the underlying performance of our stand alone

Country Road retail stores was very strong again, with sales increasing by 14.2% on last year. It is important to note that this growth was achieved off a very strong base, with retail sales from our stand alone stores in 2007 having grown by 15.1% on the prior year.

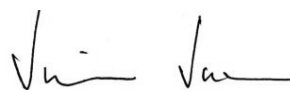
The group is now in a very strong cash flow position. In a time where the cost of debt has increased, this positions us well for the continued investment in both growing our store base and expanding the trading space in our existing stores. During the year we opened five new stores and refurbished four existing stores, increasing our trading space by approximately 2000 square metres. We will continue to be very active in procuring additional trading space, and expect to invest close to \$20 million in achieving this outcome in the next financial year. This will be funded by operating cash flows, working capital improvements and existing financing arrangements where necessary.

We recognise that the market has benefited from the strong retail trading conditions over the past three years. More recently however, economic indicators suggest that the factors driving growth in retail trading conditions have softened substantially. Speciality fashion retailers like Country Road will need

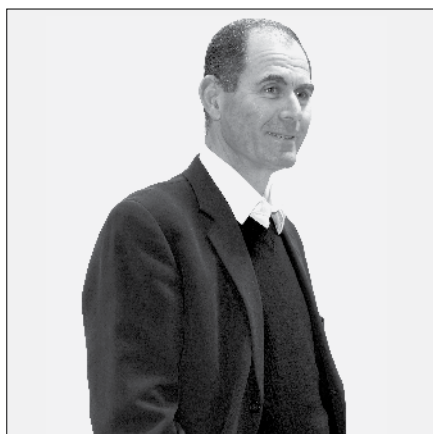
to manage inventories well, reduce the cost of doing business but above all continue to offer great value and fashionable ranges to our customers.

With this in mind, we understand that the journey to improve our value proposition is a perpetual one. Further improvements in our pricing architecture, fashionability and availability of our ranges are planned to continue to delight our existing customers, and to attract more customers to our brand, without compromising the quality of our garments.

The Company is well placed to continue to achieve further growth. The Board has confidence in the Company's vision and strategy, and in management's ability to execute the strategy for the benefit of all shareholders. There were no changes to the Company's officeholders during the year.



SIMON SUSMAN  
CHAIRMAN



**AFTER A 5-YEAR JOURNEY OF SIGNIFICANT CHANGE, OUR BUSINESS CONTINUES TO REALISE THE BENEFITS OF OUR LONG-TERM VISION OF BECOMING A MORE SIMPLIFIED, FOCUSED AND ACCESSIBLE RETAIL BUSINESS, WITH GREATER CONTROL OVER OUR OWN DESTINY.**

SIMON SUSMAN, CHAIRMAN



**THIS WAS A PLEASING YEAR FOR COUNTRY ROAD, DELIVERING A SECOND CONSECUTIVE YEAR OF STRONG GROWTH IN SALES AND OPERATING PROFIT. WE HAVE CONTINUED TO REPOSITION THE BRAND WITH IMPROVED FASHIONABILITY AND LOWER PRICES WITHOUT COMPROMISE ON QUALITY.** IAN MOIR, CHIEF EXECUTIVE OFFICER

Our existing customers continue to respond strongly to our new ranges and we have attracted many new customers to the brand. We are motivated and driven to continue to improve both our market share and our financial performance and ultimately improving returns to our shareholders.

#### YEAR IN REVIEW

Sales again grew strongly this year, significantly outperforming the market average in the clothing sector as published by the Australian Bureau of Statistics. Total sales were 21.9% up on last year (2007: up 15.9%). Our stand alone retail stores were 14.2% up on last year (2007: up 15.1%). Total sales growth benefited from the replacement of wholesale sales with retail sales in our concession outlets within Myer and David Jones during the first half.

Profit before tax improved materially on the prior year, with stronger sales at improved margins and tight control over overheads, being the main drivers. Profit before tax of \$14.0m was \$4.8m or 52.4% higher than last year. Profit after tax of \$9.8m was \$7.2m below last year due to the initial recognition in the prior year of deferred tax assets totalling \$10.5m.

We opened five new stores in the first half of the year in Highpoint (Vic), Hornsby (NSW), Burwood (NSW), Kotara (NSW) and Albany (New Zealand). We also expanded and refurbished our Northland (Vic), Norwood (SA), Carindale (Qld) and Newmarket

(New Zealand) stores. In our concession outlets, we rolled out 22 new fitout concepts in David Jones and a further 10 within Myer, and we continued to open outlets within both department stores as new opportunities arose.

In April, we undertook a trial of four womenswear-only Country Road stores in partnership with our parent entity Woolworths of South Africa. These stores were opened within Woolworths' own retail stores, and the response from South African customers exceeded our expectations. In June, we announced to the Australian Securities Exchange (ASX) our intention to pursue expansion of the Country Road brand in South Africa through a combination of outlets within Woolworths stores, as well as stand alone stores. We will keep shareholders informed of developments of this expansion in accordance with the continuous disclosure requirements of the ASX as and when appropriate.

Our cash flow position is strong and our inventories are the cleanest they have been. We funded a significant capital expansion program and returns to shareholders from operating cash flow during the year. Our strong financial position enabled us to renegotiate our financing arrangements on an unsecured basis. We also changed the composition of our facilities, reducing borrowing costs going forward in a time when the cost of debt is increasing.

#### LOOKING FORWARD

We will continue to pursue growth in our core Australasian operations through further material investment in our existing stores,

as well as the introduction of new stores. Our capital program for 2008-2009 will be the largest we have undertaken and is underpinned by the completion of the expansions of our Chadstone and Doncaster stores in Victoria. We are planning to open five new stores in 2008-2009 and conduct more expansions of our existing stores with further details to be provided once negotiations have been completed.

We will continue to strive for further improvements in our price-competitiveness and to deliver outstanding value to our customers. We have progressed this strategy for three years now and have seen a substantial improvement in unit volumes sold during this time.

We are conscious that we will face a slowdown in the economy and tougher retail conditions in the coming year. With this in mind, we will focus on controlling overhead costs, improving the efficiency of our operations, and maintaining the quality of our inventories to maximise opportunities and minimise risks.

We will continue our expansion into South Africa.

IAN MOIR  
CHIEF EXECUTIVE OFFICER



Many of Country Road's philosophies and practices have historically been consistent with contributing to a sustainable world. In the past year we have worked towards developing a more structured approach to clearly articulate our position on important issues around corporate and social responsibility. This has evolved into a comprehensive Corporate and Social Responsibility (CSR) framework.

Our vision is clear:

*CSR at Country Road is about taking a considered approach to the way we conduct business. Through our brand and people we will innovate and create social, ethical and environmental change in the world we live.*

The framework involves four key areas; environment, community, ethical trading, and our people.

In 2007 a CSR Steering Committee, led by Chief Executive Officer Ian Moir, was established with both executive and non-executive representation to ensure initiatives are prioritised and managed within the framework. The CSR vision and measures are included in the Company's strategic plan.

We engage with our stakeholders on CSR as part of the way we conduct business. Examples of this include internal employee opinion surveys, external market research, customer feedback, day-to-day supplier communications and through supplier tender processes. We also intend to communicate more meaningfully on CSR through changes to our website in the 2009 financial year.

The four key focus areas and examples of our progress are outlined below:

## **ENVIRONMENT**

### **Packaging**

Country Road became a signatory to the National Packaging Covenant, a voluntary initiative where government and industry work together towards reducing the adverse impacts of packaging on the environment. Country Road has submitted an action plan for the period 2008-2010, detailing initiatives for shopping bags, gift boxes, vendor use of materials and workplace recycling.

From July 2008 Country Road take-home bags will be made from 70% recycled material and will continue to be 100% recyclable, and labelled accordingly.

A re-usable Country Road bag made from 100% cotton as an alternative to paper packaging is planned to be introduced in 2009.

### **Organic Cotton for Babywear**

Country Road has committed where possible to using certified organic cotton in all core babywear products in the sleep category i.e. sleepsuits, hats, blankets etc.

### **Carbon Footprint**

This year Country Road engaged CarbonetiX, Climate Change Solutions consultants to assess our carbon footprint. We now better understand our carbon outputs and are better equipped to manage them more efficiently. Further plans about how to more effectively manage emissions are in development.

### **Head Office**

In February 2008, a water tank was installed in the head office basement car park to supply the head office plumbing system. The tank has a 39,000 litre capacity and can collect over 500,000 litres of rain water a year. In May 2008, a workplace recycling program was introduced which has already resulted in a decrease in general waste.

## **COMMUNITY**

Country Road conducted a thorough search and selection process for a not for profit organisation that is aligned with our values and vision. In July 2008 Country Road entered into a partnership with Redkite. Redkite is one of Australia's leading children's cancer support charities. Celebrating its 25th year, Redkite has supported children, young people and their families through the often long and difficult journey of childhood cancer. This partnership will give Country Road and its employees an opportunity to participate in 'giving back' to the community.

The focus of this partnership will be the Red Bag. The Red Bag is a special support pack that is provided to all families at diagnosis and includes key information and practical support items such as a toiletry pack and a grocery voucher to assist them during this difficult time. It also includes information on emotional support, guidance on how to access services and reassurance about the typical emotions to expect throughout this difficult journey. As the Major Program Partner, Country Road will also use design experience to update and redesign the Red Bag.

There will also be a number of opportunities for Country Road employees to participate in volunteering and fundraising activities for Redkite as well as engaging customers in-store and through our website.

## **ETHICAL TRADING**

Country Road sources clothing, homewares and accessories from countries throughout the world, and in doing this we consider the social and ethical implications in the manufacture of our products. It is important to us that our suppliers behave ethically and responsibly in their manufacturing processes, and they must be signatories to Country Road's Code of Labour Practice which references relevant International Labor Organization (ILO) conventions.

To assess adherence, we use agencies to audit compliance as well as conduct our own visits to suppliers. Our supplier agreements include a range of sanctions available in the event of an issue being identified, including termination of supply arrangements.

## **OUR PEOPLE**

'Success through People' is the foundation of the Country Road Strategic Plan, and our CSR approach is employee driven. Country Road is committed to attracting, developing and retaining the best people while ensuring their health and safety and well-being. This is assessed through a number of measures on a quarterly basis. An employee opinion survey is conducted annually which is benchmarked against external market data.

### **Equal Employment Opportunity**

Equal Employment Opportunity applies to all employment practices including recruitment, selection, promotion, redundancy, conditions of employment, training and development. Country Road is committed to the principle of equal opportunity in employment for all.

### **Health and Safety**

We demonstrate our commitment to providing and maintaining a safe and healthy environment for anyone who associates with us - our staff, customers, contractors and visitors. We regard compliance with legal requirements as an absolute minimum standard. Our goal is to actively promote well-being and safety by maintaining the very highest safety standards.

### **CR SEE (Social, Ethical & Environmental) – See Our Future**

In March 2008, Country Road launched the CR SEE program; an employee education program which included the launch of intranet pages on CSR activities, workplace recycling programs, fact sheets about the environment, 'green home' booklets from the Australian Conservation Foundation, competitions and a "walk to work" day. Country Road also participated in Earth Hour along with a number of Australian businesses where window lighting in our strip stores was turned off for one hour in an effort to focus attention on the issue of carbon emissions.

## THE ORGANISATION – CORPORATE GOVERNANCE STATEMENT

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COUNTRY ROAD LIMITED ACN 006 759 182

The Board of Directors of Country Road Limited is responsible for the corporate governance of the Group. 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 table below summarises the Company's compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's Recommendations.

	Recommendation	Comply Yes/No	Reference/ Explanation
1.1	Companies should establish and disclose the functions reserved to the Board and those delegated to senior Executives.	Yes	Page 11
2.1	A majority of the Board should be independent Directors.	No	Page 12
2.2	The Chairperson should be an independent Director.	No	Page 12
2.3	The roles of Chairperson and Chief Executive Officer should be separated.	Yes	Page 12
2.4	The Board should establish a Nomination Committee.	No	Page 11
3.1	Establish a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and any other key Executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 15
3.2	Disclose the policy concerning trading in the Company's securities by Directors and Officers.	Yes	Page 12
3.3	Provide the information in <i>Guide to reporting on Principle 3</i> .	Yes	Page 12, 15
4.1	Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant Accounting Standards.	Yes	Page 13
4.2	The Board should establish an Audit Committee.	Yes	Page 13
4.3	Structure the Audit Committee so that it consists of only Non-Executive Directors, a majority of independent Directors, an independent Chairperson who is not the Chairperson of the Board, and at least three members.	No	Page 13
4.4	The Audit Committee should have a formal charter.	Yes	Page 13
4.5	Provide the information in <i>Guide to reporting on Principle 4</i> .	Yes	Page 13
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Page 11
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at the Annual General Meeting (AGM).	Yes	Website / AGM
6.2	Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.	Yes	AGM
7.1	The Board or appropriate committee should establish policies on risk oversight and management.	Yes	Page 11, 15
7.2	The Chief Executive Officer and Chief Financial Officer should state to the Board in writing that the statement given in accordance with Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	Page 13
8.1	Disclose the process for performance evaluation of the Board, its committees, individual Directors and key Executives.	Yes	Page 14
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to Directors and key Executives and corporate performance.	Yes	Page 14
9.2	The Board should establish a Remuneration Committee.	Yes	Page 14
9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	Yes	Page 14
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Page 14
10.1	Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	Page 15

Country Road Limited's corporate governance practices were in place throughout the year ended 30 June 2008. Further information on the Company's Corporate Governance principles and Code of Conduct will be made available in the revised Corporate Governance section of the Company's website to be released during the 2009 financial year at: [www.countryroad.com.au](http://www.countryroad.com.au) and may be obtained on request from the Company Secretary at [admin@countryroad.com.au](mailto:admin@countryroad.com.au)

## BOARD FUNCTIONS

The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. Responsibility for the operation and administration of the Company is delegated by the Board to the Chief Executive Officer and the Executive Management Committee. The Board ensures that the executive team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the executive management team periodically.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board has established the following formal committees, the roles and responsibilities of which are discussed below:

- Audit Committee
- Remuneration Committee

The responsibilities of a Nomination Committee are fulfilled by the full Board as the Board do not believe a separate committee would provide a more efficient mechanism to discharge its selection, appointment and evaluation duties. Treasury responsibilities are addressed by the Audit Committee and all investment related activities are addressed by the full Board.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Identification and monitoring of inherent business risk assessments;
- Approval of the strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the Group;
- Approval of budgets and monitoring progress against budget and the strategic plan; and
- Monitoring the performance of the Executive Management Committee and their implementation of approved strategic initiatives.

Other functions reserved to the Board include:

- Approval of the Company Code of Conduct to which all Directors, Executives and employees must subscribe;
- Appointment and removal of the Chief Executive Officer, including succession planning;
- Ensuring the disclosure requirements of the ASX are met through Board meetings and periodic confirmation and correspondence with the Company Secretary to whom accountability is conferred;
- Approval and monitoring of major capital expenditure projects, capital management and other investment activities;
- Approval of half-yearly and annual financial reports;
- Nomination and appointment of new Directors; and
- Reporting to and communicating with shareholders.

The Board has delegated responsibility for compliance with the ASX's disclosure requirements and for shareholder communications to the Company Secretary.

The Company Secretary uses the ASX's resources and professional legal advice in ensuring compliance with the Company's obligations with respect to the ASX's Listing Rules and Corporate Governance Principles.

The Company communicates with shareholders through announcements to the ASX, its website, general meetings of shareholders, the annual report, the share registrar and through written and electronic correspondence addressed to the Company Secretary from time to time.

## STRUCTURE OF THE BOARD

The qualifications of each Director in office at the date of this report are included in the Directors' Report.

The structure of the Board does not comply with the Council's principles and recommendations with respect to independence. Directors are considered to be independent where they are independent of management and free from any other business or relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgement. Based on this definition there are no independent Directors on the Board of the Company.

Given the Company's share register is highly concentrated and securities are thinly traded, the costs of compliance with Council Recommendation 2.1 in appointing and maintaining additional independent Directors are viewed to be in excess of the benefits that would be derived from compliance. The Board is fully aware of Recommendation 2.1 and is confident that proper and mitigating processes are in place to address stakeholder needs and expectations with respect to independence in decision-making and the management of conflicts of interests. The Company's Constitution was revised and approved by shareholders in October 2006 which facilitates the workings of these mitigating processes. The Board has confidence that the Company's Constitution allows Directors to extinguish their responsibilities in acting in the best interests of all shareholders.

Mr Susman is Chairman of the Board, which does not comply with Recommendation 2.2. The Board does not believe Mr Susman's position as Chief Executive Officer of the Company's major shareholder, Woolworths Holdings Limited, in any way prevents him from carrying out the responsibilities as Chairman and effectively leading the Board.

There are procedures in place agreed by the Board to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each Director at the date of this report are:

<b>Non-Executive Directors</b>	<b>Positions</b>	<b>Term</b>
S. Susman	Chairman	7 years, 6 months
N. Thomson		5 years, 4 months
<b>Executive Directors</b>		
I. Moir	Chief Executive Officer	9 years, 8 months
G. Gilzean	Group General Manager – Retail Operations	1 year, 6 months

## SECURITIES TRADING POLICY

The Company's Securities Trading Policy is in the process of being revised. The following rules presently apply:

- A Director, member of the Executive Management Committee or spouse must not trade in any securities of the Company at any time if they are in possession of unpublished, price-sensitive information in relation to those securities;
- A Director or Executive must obtain approval from both the Company Secretary and the Chairman prior to trading in any securities in the Company; and
- Securities to which the policy applies may only be traded during a period of two weeks after the announcement of half-year or full year results, or any other form of trading or earnings-related announcement to the market.

No Directors owned any securities during the period or at the date of this report.

#### **CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER STATEMENTS AND CERTIFICATIONS**

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- That the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board have also received a written statement from the Chief Executive Officer and the Chief Financial Officer that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

#### **AUDIT COMMITTEE**

The Board has established an Audit Committee, which operates under a formal charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports, and is responsible for the annual appointment of the external auditor. Rotation of external audit partners is governed by the internal policies of the auditor engaged. The external auditor receives notification of the annual general meeting and is requested to attend.

All members of the Audit Committee are Non-Executive Directors, which is considered by the Board as the most appropriate structure in the absence of independent Directors on the Board.

The members of the Audit Committee during the year were Mr Norman Thomson (Chairman of the Audit Committee) and Mr Simon Susman. Qualifications of Committee members are contained within the Director's Report. The composition of the Audit Committee does not comply with Council Recommendation 4.3 in that the members and Chairman are not independent, and that there are not at least three members. The reasons for the absence of independent Directors has been discussed above. Mr Thomson has been appointed Chairman of the Audit Committee as he is considered to be the most qualified and appropriate Director for this role. The Board do not believe his role as Finance Director of the ultimate parent entity in South Africa adversely affects his ability to discharge his responsibilities as Chairman of the Audit Committee in an objective and impartial manner.

The Audit Committee's charter will be made available in the revised Corporate Governance section of the Company's website to be released during the 2009 financial year at: [www.countryroad.com.au](http://www.countryroad.com.au) and may be obtained on request from the Company Secretary at [admin@countryroad.com.au](mailto:admin@countryroad.com.au)

## REMUNERATION COMMITTEE

The Remuneration Committee's charter is to promote the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team. It is responsible for ensuring the remuneration strategy for all Executives and Directors is fair and appropriate with reference to relevant employment market conditions, as well as ensuring appropriate succession planning strategies are in place for key personnel.

To assist it in achieving its objectives, the Remuneration Committee links the nature and amount of Executive Director and Executive remuneration to the Company's financial and operational performance.

The expected outcomes of the remuneration strategy are the retention and motivation of key executives, attraction of high quality management to the Company, and both short and long-term performance incentives that allow Executives to share in the success of the Company.

The performance of the Board and the Executive Management Committee is reviewed regularly with respect to operating performance targets and individual behaviours set within the Company's individual performance management framework, and aligned with the financial and non-financial strategic objectives of the Company.

The Remuneration Committee comprises only Non-Executive Directors. Members of the Remuneration Committee during the year were Mr Norman Thomson (Chairman of the Remuneration Committee) and Mr Simon Susman. Qualifications of Committee members are contained within the Director's Report. Mr Thomson has been appointed Chairman of the Remuneration Committee as he is considered to be the most qualified and appropriate Director for this role. The Board do not believe his role as Finance Director of the ultimate parent entity in South Africa adversely affects his ability to discharge his responsibilities as Chairman of the Remuneration Committee in an objective and impartial manner.

Further information on the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period are disclosed in the Remuneration Report contained within the Directors' Report, and in note 20 to the financial statements. Details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings are presented in the Directors' Report.

There is no scheme to provide retirement benefits to Non-Executive Directors. There were no equity-based incentive plans available to any Director, Executive or employee during the year provided by the Company.

The Board is responsible for determining and reviewing compensation arrangements for Non-Executive Directors within limits previously approved by shareholders.

## EXECUTIVE MANAGEMENT COMMITTEE

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. The composition of the Executive Management Committee is determined by the Chief Executive Officer, and comprises representation of the business' key functions. Members of the committee at the date of this report were:

### Ian Moir

Chief Executive Officer & Executive Director

### Glenn Gilzean

Group General Manager  
Retail Operations & Executive Director

### Sophie Holt

Group General Manager  
Product Design & Development

### Derek Muirhead

Group General Manager  
Merchandise

### Matt Keogh

Group General Manager  
Human Resources

### Oliver Kysela

Chief Financial Officer & Company Secretary

### Steven Binns

Group General Manager  
Information Technology

### David Thomas

Group General Manager  
Supply Chain & Business Development

### **BUSINESS RISK MANAGEMENT**

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal control. A comprehensive inherent business risk assessment has been prepared and approved by the Board, and is embedded as a priority of the Executive Management Committee to delegate responsibility and ownership to the executive team. An updated risk assessment is submitted to the Board for approval bi-annually, and aims to minimise business risks whilst maximising business opportunities.

The Company's inherent business risk assessment process includes:

- Establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- Continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the external environment for emerging factors and trends that affect these risks;
- Assigning ownership of identified risks to members of the Executive Management Committee;
- Formulating risk management strategies to manage identified risks, and designing and implementing risk management policies, internal controls and measures to analyse effectiveness of implementation and mitigation; and
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and measures that manage the risks identified.

In addition to maximising business opportunities to the betterment of all shareholders, important key outcomes of the Company's inherent business risk assessment process are the effective and efficient use of the Company's resources, compliance with applicable laws and regulations, and reliable published financial information. The Company's external auditors are invited to participate in the Company's ongoing inherent business risk assessment process to provide expertise on risk-related matters as well as an external and independent view on the risks identified and processes in place to measure and mitigate those risks. This involvement is synergistic with a higher quality and more efficient external audit process.

### **CODE OF CONDUCT**

The Board recognises the need for Officers and employees to observe the highest standards of behaviour, ethics and responsibility when representing the Company. The Country Road Code of Conduct sets out the principles and standards to be met to achieve these objectives. The Code has been endorsed by the Board and forms the foundation of behavioural objectives in the Group's individual performance management framework. Further information on the Company's Code of Conduct will be available in the revised Corporate Governance section of the Company's website to be released during the 2009 financial year at: [www.countryroad.com.au](http://www.countryroad.com.au) and may be obtained on request from the Company Secretary at [admin@countryroad.com.au](mailto:admin@countryroad.com.au)

### **REVISED CORPORATE GOVERNANCE PRINCIPLES & RECOMMENDATIONS**

The Company has elected not to early adopt the Council's revised principles released on 2 August 2007, and will address these in the 2009 annual report in accordance with its obligations.

Your Directors submit their report for the year ended 30 June 2008.

## **DIRECTORS**

The names and details of Directors of the Company in office at the date of this report are as follows:

### **Ian Moir**

Executive Director & Chief Executive Officer

Mr Moir was appointed to the Board on 23 October 1998. He was formerly Chief Operating Officer of the Company 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 & Chairman

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 on the Johannesburg Stock Exchange), and is a Director of the Consumer Goods Council of South Africa and the Intercontinental Group of Departmental Stores. He has held numerous management positions with Woolworths during his 26 years with the company, and was previously with Marks & Spencer in London for 11 years.

### **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 on the Johannesburg Stock Exchange). 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.

### **Glenn Gilzean**

Executive Director & Group General Manager – Retail Operations

Mr Gilzean was appointed to the Board on 8 December 2006. He is currently the Group General Manager of Retail Operations and has held this position since 2001. He joined the Company in August 1998 having previously held a number of senior management positions with Woolworths Pty Ltd in South Africa.

## **COMPANY SECRETARY**

### **Oliver Kysela**

Mr Kysela was appointed Company Secretary on 8 December 2006. He joined the Company in April 2001 and held the position of Financial Controller from November 2001 before being appointed Chief Financial Officer in December 2006. He holds a Bachelor of Business (Accounting), a Graduate Diploma in Applied Finance & Investment, and is a qualified Chartered Accountant.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group are the designing and retailing of apparel, homewares and related accessories.

**OPERATING AND FINANCIAL REVIEW, AND LIKELY DEVELOPMENTS**

The consolidated operating profit before tax for the financial year ended 30 June 2008 was \$14,012,000 (2007: \$9,194,000). A review of operations and likely developments is included in the Chief Executive Officer's Review of Operations, and in the Chairman's Report.

**DIVIDENDS AND EARNINGS PER SHARE (EPS)**

Since year end the Directors have announced the payment of a fully-franked final dividend of 5.00 cents per fully paid ordinary share (2007: 7.24 cents per share), which is scheduled to be paid on 8 October 2008. The record date for determining entitlement is 10 September 2008.

The total dividend composition is illustrated in the table below:

<b>Dividends per share</b>	Year Ending 30 June 2008	Year Ending 30 June 2007
Interim dividend (cents per share)	3.31	–
Final dividend (cents per share)	5.00	7.24
Total dividend per share (cents per share)	8.31	7.24

Total dividends paid and proposed in respect of 2008 profits total 8.31 cents per share, representing a 14.8% growth on last year.

<b>Earnings per share</b>	Year Ending 30 June 2008	Year Ending 30 June 2007
Basic earnings per share (cents per share)	14.13	24.59
Dividend per share (cents per share)	8.31	7.24

Earnings per share last year was accentuated by a one-off material tax benefit of \$10.5m arising from the initial recognition of deferred tax assets. No adjustments are required to calculate Diluted EPS.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

There were no significant events after balance date requiring adjustment or disclosure in the Directors' Report or in the financial statements.

## 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 2008, and the number of meetings attended by each Director was:

	Board of Directors		Committees of the Board of Directors			
	Attended	Held*	<i>Audit</i>		<i>Remuneration</i>	
	Attended	Held*	Attended	Held*	Attended	Held*
Ian Moir	2	2	–	–	–	–
Simon Susman	2	2	2	2	2	2
Norman Thomson	2	2	2	2	2	2
Glenn Gilzean	2	2	–	–	–	–

\* Number of meetings held during the time the Director held office during the financial year or was a member of the Committee during the year.

## DIRECTORS' INTERESTS

No Director owns any shares or options in the Company. Directors are eligible to be granted options in Woolworths Holdings Limited, the ultimate controlling entity, as part of the Woolworths Executive Share Option Plan. These options are granted at the discretion of Woolworths Holdings Limited and do not form part of the remuneration payable by Country Road Limited. Mr Ian Moir holds options in Woolworths Holdings Limited under the Share Option Plan of which details are included in the Remuneration Report below, and in Note 20 to the financial statements.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has provided to the Directors and Officers of the Company and its controlled entities 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 insurance premiums of \$14,067 to cover the Group against any loss incurred as a result of the indemnity provided to the Directors and Officers. No amounts have been claimed or paid in respect of this indemnity and insurance other than the premium disclosed above.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements for Directors and Executives of the Company and its controlled entities in accordance with the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 'Related Party Disclosures' which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. Share based payments have been recognised and disclosed in accordance with AASB 2 'Share Based Payments' in all material aspects.

For the purposes of this report, the term 'Executive' encompasses all members of the Executive Management Committee, and Key Management Personnel (KMP) comprise the Directors and members of the Executive Management Committee. The Remuneration Report has been audited by the Company's external auditors, Ernst & Young.

## 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.

**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 other Executives. The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant market conditions, as well as whether performance targets have been met, 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 Executive remuneration is separate and distinct.

**Non-Executive Director Remuneration***Objective*

The Board aims 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 2008 is detailed below.

**Executive 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, comprising the Short-Term Incentive Program (STIP) and the Executive Long-Term Incentive Scheme (ELTIS).

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Remuneration Committee. The variable portion consists of cash bonuses which are performance-based, and are disclosed separately in the remuneration tables on pages 22 and 23.

## Fixed Remuneration

### *Objective*

The level of fixed remuneration is set to provide an appropriate and market-competitive base level of remuneration. Fixed remuneration is reviewed annually by the Remuneration Committee, consisting of a review of company wide, business unit and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices. The Committee seeks external advice where necessary.

### *Structure*

Executives are given the opportunity to receive their fixed remuneration in a variety of forms, including cash and fringe benefits such as motor vehicles, Country Road 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 Program (STIP)

### *Objective*

The objective of the STIP is to link the achievement of the Company's operational targets with the remuneration received by Executives charged with meeting these targets, through a combination of both Company and individual performance targets. The total benefits available are set at a level so as to provide sufficient incentive to Executives to achieve operational targets at a cost to the Company that is reasonable and proportionate.

### *Structure for the 2008 Scheme*

STIP entitlements are expressed as a percentage of a participant's total remuneration package, and are based on a scale of predetermined profitability benchmarks referenced to an approved profitability target. Targets are approved annually by the Remuneration Committee and are derived from the Company's Board-approved annual financial budget and long-term strategic plan.

STIP entitlements comprise a fixed component (70%) for Company profit performance against defined benchmarks, and a variable component (30%) based on individual performance as assessed through the Group's Individual Performance Management (IPM) process. Individual performance is rated based on performance against targets set for personal objectives as well as the extent to which a participant has demonstrated Country Road's defined behaviours.

Entitlements have been disclosed in the remuneration tables below in the Short-term Cash Bonus category.

## Variable Remuneration – Executive Long Term Incentive Scheme (ELTIS)

### *Objective*

The objective of the ELTIS is to reward Executives in a meaningful manner which aligns this element of remuneration with the creation of long term shareholder wealth. It aims to also support the retention of members of the Executive Management Committee through a market-competitive long-term scheme in the absence of a share-based scheme.

### *Structure*

The current ELTIS is in place for the period 1 July 2006 (grant date) to 30 June 2010, and is a cash-based scheme based on cumulative consolidated profit performance benchmarks being achieved. The number of units in the available pool is allocated to eligible participants by the Remuneration Committee based on each participant's remuneration share at the date the units are granted. On an annual basis in August, the Remuneration Committee will ascertain whether the cumulative performance benchmarks for each offer under the plan have been achieved. At this time, all existing unexercised entitlements are revalued, and any new vesting entitlements are valued, depending on whether the prescribed performance benchmarks have been achieved, and the extent to which they have been achieved. Participants must apply in writing to the Remuneration Committee within one month of entitlements being approved before being able to access vesting entitlements.

The opportunity for entitlements to vest under the current ELTIS arise in years 2, 3 and 4 of the scheme, with the first vesting entitlement becoming available based on profit performance against benchmarks for the year ending 30 June 2008. Minimum and maximum amounts payable under the scheme are entirely contingent upon future profitability against defined cumulative profit performance benchmarks over the life of the scheme. Annual entitlements range from a minimum of 11.1% of units vesting to a maximum of 33.3%. Entitlements vesting under the current ELTIS have been disclosed in the remuneration tables below in the Long-term Incentive Plans category. The maximum 33.3% entitlement became available for participants based on the consolidated profit performance for the year ending 30 June 2008. No entitlements were forfeited during the period.

New plans will be introduced annually to ensure a rolling long-term horizon is maintained, and that any new Executive appointments are provided with the opportunity to participate.

**Employment Arrangements**

*Chief Executive Officer*

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

- 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;
- The Company may terminate Mr Moir's contract at any time without notice if serious misconduct has occurred; and
- Mr Moir is a participant in the short-term and long-term executive incentive schemes of the Company.

Mr Moir is also a participant in the Woolworths Holdings Limited Executive Share Option Plan. This Plan provides participants with equity options to purchase ordinary shares in the Company's principal shareholder, Woolworths Holdings Limited. Participation in the Plan is service based and does not form part of the remuneration payable by the Company. On 4 April 2002 Mr Moir was granted 1,424,623 options at an exercise price of R3.98, at a fair value in Australian dollars of \$316,833. 20% of the options vest annually for the first 5 years after grant date. At the beginning of the period, 284,925 options were held. No options were exercised during the period, with 284,925 options remaining at the end of the period with an expiry date of 4 April 2012.

*Group General Manager – Merchandise*

The Group General Manager - Merchandise, Mr Derek Muirhead, is a member of the Executive Management Committee employed under a standard employment contract with no defined length of tenure. Under the terms of the contract:

- Mr Muirhead may resign from his position by providing the Company with 3 months written notice;
- The Company may terminate this agreement by providing 3 months written notice or provide payment in lieu of the notice period, based on the fixed base salary at the time of termination;
- The Company may terminate this contract at any time without notice if serious misconduct has occurred;
- Mr Muirhead is entitled to a retention bonus of \$200,000, payable in two instalments of \$100,000 after 9 months (30 September 2006) and 21 months (30 September 2007) continuous service respectively, subject to Mr Muirhead being actively employed by the Company in the capacity as Group General Manager - Merchandise, and not being the subject of any disciplinary action during the period; and
- Mr Muirhead is a participant in the long term and short term executive incentive schemes of the Company.

Mr Muirhead is also a participant in the Woolworths Holdings Limited Executive Share Option Plan. This Plan provides participants with equity options to purchase ordinary shares in the Company's principal shareholder, Woolworths Holdings Limited. Participation in the Plan is service based and does not form part of the remuneration payable by the Company. On 3 January 2006, Mr Muirhead was granted 264,025 options at an exercise price of R14.11, at a fair value in Australian dollars of \$267,066. 20% of the options vest annually for the first 5 years after grant date. No options were exercised during the period, and all remain outstanding at the end of the period, with an expiry date of 3 January 2016.

*Members of the Executive Management Committee*

The remaining members of the Executive Management Committee are employed on standard employment contracts. The terms of employment 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;
- The Company may terminate the Executive's employment at any time without notice if serious misconduct has occurred; and
- Each Executive is a participant in the long term and short term Executive incentive schemes.

**Group Performance**

The relationship of rewards to performance of Directors and Executives is discussed above. Group performance is also reflected in the movement of the Company's earnings per share (EPS) over time. Basic EPS history over the last five years is presented below for financial years ending 30 June. Group tax expense in 2007 has been normalised at an effective tax rate of 30.4% to exclude the one-off material tax benefits arising in that year from the initial recognition of deferred tax assets totalling \$10.5m:

	2008	2007	2006	2005	2004
Reported basic earnings per share (cents per share)	14.13	24.59	4.67	4.26	3.61
Normalised basic earnings per share (cents per share)	14.13	9.27	4.67	4.26	3.61

## COMPENSATION OF KEY MANAGEMENT PERSONNEL

Directors		Short-Term			Post	Long-Term		Share	Total	% Performance Related
		Salary & Fees	Cash Bonus	Non Monetary Benefits (i)	Employment Super-annuation	Incentive Plans	Long Service Leave	Based Payments (ii)		
Ian Moir Executive Director & Chief Executive Officer	<b>2008</b> 2007	<b>401,218</b> 412,806	<b>277,750</b> 359,185	<b>115,057</b> 131,489	<b>50,000</b> 50,477	<b>639,131</b> –	<b>8,517</b> 8,494	<b>61,116</b> 61,116	<b>1,552,789</b> 1,023,567	<b>59%</b> 35%
Simon Susman Non-Executive Director & Chairman	<b>2008</b> 2007	<b>30,000</b> 30,000	– –	<b>6,141</b> 5,039	– –	– –	– –	– –	<b>36,141</b> 35,039	<b>0%</b> 0%
Norman Thomson Non-Executive Director	<b>2008</b> 2007	<b>30,000</b> 30,000	– –	<b>5,839</b> 5,000	– –	– –	– –	– –	<b>35,839</b> 35,000	<b>0%</b> 0%
Glenn Gilzean (1) Executive Director & GGM Retail Operations	<b>2008</b> 2007	<b>210,462</b> 115,846	<b>95,413</b> 135,963	<b>30,552</b> 20,699	<b>50,000</b> 31,887	<b>294,862</b> –	<b>3,986</b> 2,263	– –	<b>685,275</b> 306,658	<b>57%</b> 44%
Ashley Gardner (2) Executive Director & Chief Financial Officer	2007	142,871	–	36,703	11,784	–	–	–	191,358	0%
Cherrie Lowe (3) Non-Executive Director	2007	–	–	5,000	–	–	–	–	5,000	0%
<b>Total Remuneration</b>	<b>2008</b> 2007	<b>671,680</b> 731,523	<b>373,163</b> 495,148	<b>157,589</b> 203,930	<b>100,000</b> 94,148	<b>933,993</b> –	<b>12,503</b> 10,757	<b>61,116</b> 61,116	<b>2,310,044</b> 1,596,622	<b>57%</b> 31%

(i) Non-monetary benefits include salary packaging benefits including motor vehicles, Country Road merchandise and related fringe benefits tax.

(ii) Participant in the Woolworths Executive Share Option Plan. The value of the options issued by Woolworths Holdings Limited are included in share-based payments in accordance with AASB 2 'Share based payments'.

(1) Appointed 8 December 2006

(2) Resigned 8 December 2006

(3) Retired 18 October 2006

COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Executives		Short-Term			Post Employment	Long-Term		Share Based Payments (ii)	Total	% Performance Related
		Salary & Fees	Cash Bonus	Non Monetary Benefits (i)	Super-annuation	Incentive Plans	Long Service Leave			
Sophie Holt										
GGM Product Design & Development	<b>2008</b>	<b>315,720</b>	<b>156,461</b>	<b>40,034</b>	<b>50,000</b>	<b>437,210</b>	–	–	<b>999,425</b>	<b>59%</b>
	2007	287,666	198,716	42,302	43,990	–	–	–	572,674	35%
Derek Muirhead	<b>2008</b>	<b>293,765</b>	<b>237,539</b>	<b>40,050</b>	<b>50,000</b>	<b>414,199</b>	–	<b>50,925</b>	<b>1,086,478</b>	<b>51%</b>
GGM Merchandise	2007	312,175	274,240	20,187	59,328	–	–	50,925	716,855	26%
Glen Gilzean (1)										
GGM Retail Operations	2007	87,623	–	10,986	12,903	–	1,712	–	113,224	0%
Matt Keogh	<b>2008</b>	<b>175,947</b>	<b>78,165</b>	<b>19,521</b>	<b>48,563</b>	<b>189,999</b>	–	–	<b>512,195</b>	<b>52%</b>
GGM Human Resources	2007	142,340	94,128	21,695	21,428	–	–	–	279,591	34%
Oliver Kysela (2)	<b>2008</b>	<b>153,578</b>	<b>66,055</b>	<b>14,338</b>	<b>42,472</b>	<b>189,999</b>	<b>19,794</b>	–	<b>486,236</b>	<b>53%</b>
Chief Financial Officer	2007	82,066	60,287	10,117	13,954	–	–	–	166,424	36%
Steven Binns (3)										
GGM Information Technology	<b>2008</b>	<b>141,257</b>	<b>60,917</b>	<b>17,874</b>	<b>23,080</b>	–	<b>2,545</b>	–	<b>245,673</b>	<b>25%</b>
	2007	40,473	52,954	20,932	10,078	–	1,269	–	125,707	0%
David Thomas (4)	<b>2008</b>	<b>91,946</b>	<b>62,385</b>	<b>14,385</b>	<b>14,023</b>	–	–	–	<b>182,739</b>	<b>34%</b>
GGM Supply Chain & Business Development										
Total Remuneration	<b>2008</b>	<b>1,172,213</b>	<b>661,522</b>	<b>146,202</b>	<b>228,138</b>	<b>1,231,407</b>	<b>22,339</b>	<b>50,925</b>	<b>3,512,746</b>	<b>54%</b>
	2007	952,343	680,325	126,220	161,681	–	2,981	50,925	1,974,475	34%

(i) Non-monetary benefits include salary packaging benefits including motor vehicles, Country Road merchandise and related fringe benefits tax.

(ii) Participant in the Woolworths Executive Share Option Plan. The value of the options issued by Woolworths Holdings Limited are included in share-based payments in accordance with AASB 2 'Share based payments'.

(1) Appointed as Director on 8 December 2006

(2) Appointed 1 December 2006

(3) Appointed 1 January 2007

(4) Appointed 7 November 2007

**AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

The Directors have received an Independence Declaration from the external auditor, Ernst & Young. 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 did not provide any non-audit services during the period.

**ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.



**SIMON SUSMAN**  
DIRECTOR  
CHAIRMAN



**IAN MOIR**  
DIRECTOR  
CHIEF EXECUTIVE OFFICER

20 AUGUST 2008  
MELBOURNE, AUSTRALIA



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## 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 2008, 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.

A handwritten signature in cursive script that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in cursive script that reads "Robert Perry".

Robert Perry  
Partner  
Melbourne  
20 August 2008

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

1. In the opinion of the Directors:
  - (a) the financial statements, notes 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 2008 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 the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.
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 19 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



**SIMON SUSMAN**  
DIRECTOR  
CHAIRMAN



**IAN MOIR**  
DIRECTOR  
CHIEF EXECUTIVE OFFICER

20 AUGUST 2008  
MELBOURNE, AUSTRALIA

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

COUNTRY ROAD LIMITED ACN 006 759 182

	Note	Consolidated		Country Road Ltd	
		2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Revenue</b>	2(a)	293,198	240,819	8,451	7,383
Cost of sales	2(b)	(119,655)	(104,831)	–	–
<b>Gross profit</b>		173,543	135,988	8,451	7,383
Employment expenses		(69,048)	(53,937)	–	–
Occupancy expenses	2(c)	(56,186)	(39,121)	–	–
Depreciation expenses	2(c)	(8,226)	(8,112)	–	–
Marketing expenses		(10,430)	(9,890)	–	–
Other expenses		(15,487)	(15,409)	(290)	(231)
		(159,377)	(126,469)	(290)	(231)
<b>Profit before finance expenses and income tax expense</b>		14,166	9,519	8,161	7,152
Finance expenses	2(d)	(154)	(325)	–	–
Profit before income tax expense		14,012	9,194	8,161	7,152
Income tax (expense) or benefit	3(a)	(4,253)	7,785	84	70
<b>Net profit for the period</b>		9,759	16,979	8,245	7,222
Basic earnings per share (cents per share)	1(t)	14.13	24.59		
Diluted earnings per share (cents per share)	1(t)	14.13	24.59		

	Note	Consolidated		Country Road Ltd	
		2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	21,791	19,250	6	–
Trade and other receivables	5	3,849	3,019	–	–
Inventories	6	28,553	29,395	–	–
Income tax receivable		–	–	–	2
Prepayments		1,018	1,297	–	25
Derivative financial instruments	25(g)	9	–	–	–
<b>Total current assets</b>		<b>55,220</b>	<b>52,961</b>	<b>6</b>	<b>27</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	7	39	32	–	–
Plant and equipment	8	33,224	30,125	–	–
Intangible assets	9	11,189	11,189	–	–
Deferred tax assets (net)	3(c)	8,728	8,681	–	–
Prepayments		112	120	–	–
Other financial assets	10	–	–	78,817	74,063
<b>Total non-current assets</b>		<b>53,292</b>	<b>50,147</b>	<b>78,817</b>	<b>74,063</b>
<b>Total assets</b>		<b>108,512</b>	<b>103,108</b>	<b>78,823</b>	<b>74,090</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	22,665	22,758	29	3
Current tax liabilities		3,917	94	3,747	–
Provisions	12	4,690	4,439	–	–
Derivative financial instruments	25(g)	3,337	2,212	–	–
<b>Total current liabilities</b>		<b>34,609</b>	<b>29,503</b>	<b>3,776</b>	<b>3</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	13	3,914	4,602	–	–
<b>Total non-current liabilities</b>		<b>3,914</b>	<b>4,602</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>38,523</b>	<b>34,105</b>	<b>3,776</b>	<b>3</b>
<b>Net assets</b>		<b>69,989</b>	<b>69,003</b>	<b>75,047</b>	<b>74,087</b>
<b>EQUITY</b>					
Contributed equity	14	74,087	80,907	74,087	80,907
Reserves	15	(3,254)	(1,766)	–	–
Retained profits (losses)	15	(844)	(10,138)	960	(6,820)
<b>Total equity</b>		<b>69,989</b>	<b>69,003</b>	<b>75,047</b>	<b>74,087</b>

**STATEMENT IN CHANGES OF EQUITY FOR THE YEAR ENDED 30 JUNE 2008**

COUNTRY ROAD LIMITED ACN 006 759 182

	Note	Consolidated		Country Road Ltd	
		2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Total equity at beginning of period</b>		69,003	53,917	74,087	66,865
Net changes in the fair value recognition of cash flow hedges (net of tax)	15	(779)	(2,302)	–	–
Net exchange differences on translation of foreign operations (net of tax)	15	(709)	409	–	–
<b>Net income (expense) recognised directly in equity</b>		(1,488)	(1,893)	–	–
Net profit for the period		9,759	16,979	8,245	7,222
Dividends paid		(7,285)	–	(7,285)	–
<b>Total recognised income (expense) for the period</b>		986	15,086	960	7,222
<b>Total equity at end of period</b>		69,989	69,003	75,047	74,087

	Note	Consolidated		Country Road Ltd	
		2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		319,469	266,350	–	–
Payments to suppliers and employees		(300,227)	(245,415)	–	–
Interest received		516	350	5	–
Other revenue		845	391	–	–
Interest and other costs of finance paid		(154)	(427)	–	–
Rental income receipts		1,376	1,388	–	–
Income taxes and withholding taxes paid		(163)	(25)	(2)	–
<b>Net cash flows from (used in) operating activities</b>	23	21,662	22,612	3	–
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from the sale of plant and equipment		–	3	–	–
Payments for the acquisition of plant and equipment		(11,764)	(10,713)	–	–
<b>Net cash flows from (used in) investing activities</b>		(11,764)	(10,710)	–	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of loan from ultimate parent entity		–	(7,000)	–	–
Repayment of loan by controlled entity		–	–	7,285	–
Dividend payments		(7,282)	–	(7,282)	–
<b>Net cash flows from (used in) financing activities</b>		(7,282)	(7,000)	3	–
Net increase in cash and cash equivalents		2,616	4,902	6	–
Cash and cash equivalents at beginning of period		19,250	14,328	–	–
Exchange rate effect on opening balance		(75)	20	–	–
<b>Cash and cash equivalents at end of period</b>		21,791	19,250	6	–

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to Country Road Limited ("the Company") under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, as issued by the Accounting Standards Board and the International Financial Reporting Standards, as issued by the International Accounting Standards Board.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Country Road Limited and its subsidiaries ("the Group") as at 30 June 2008.

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.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity.

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. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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 Country Road Limited has control.

**(d) Foreign currency translation**

Both the functional and presentation currency of Country Road Limited and its Australian subsidiaries are Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of Country Road Clothing (NZ) Limited is New Zealand dollars. As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Country Road Limited, being Australian dollars. Exchange differences arising on retranslation are taken directly to equity.

**(e) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in transit, cash on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(f) Trade and other receivables**

Trade receivables, which generally have 30 day terms or less, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(g) Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods are measured at their weighted-average cost paid for the goods determined on a first-in-first-out basis.

Indirect costs incurred in the handling and distribution of finished goods from the Group's distribution centre are included in the measurement of inventories.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- Fixtures, fittings & equipment - 3 to 10 years; and
- Leasehold improvements - the shorter of the duration of the leases or their estimated useful lives ranging from 4 to 19 years.

Refer Note 1(i) for policy on assessing impairment of plant & equipment.

**(i) Impairment of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed.

**(j) Finance expenses**

Finance expenses comprise interest expense and facility fees, and are recognised as an expense when incurred, using the effective interest method.

**(k) Intangible assets**

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The Group's intangible assets consist of trade names, which are deemed to have an indefinite life, are not amortised, are acquired, and are subject to impairment testing annually, or where an indicator of impairment exists.

Refer Note 1(i) for policy on assessing impairment of intangible assets.

**(l) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term where such leases contain annual fixed escalation rates, and the value of the future lease payments can be determined.

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, lessor contributions are accounted for as a lease incentive liability and is reduced on a straight-line basis over the remaining term of the lease.

The Group sub-leases out space in leased premises to sub-tenants. Revenue comprises the minimum lease payments from these sub-leases, and is recognised on a straight-line basis over the lease term where such leases contain annual fixed escalation rates.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Taxes***Income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

*Goods and 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 balance sheet. Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Cash Flow Statement 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.

**(n) Trade and other 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 Group. These amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (q) 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.

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.

### (r) Issued capital

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.

### (s) Comparative figures

Where necessary, comparatives have been adjusted for consistency with current year disclosures.

### (t) Earnings per share (EPS)

Basic EPS is calculated as net profit for the period, 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 for the period 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.

### (u) Revenue

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 - at time of delivery;
- Interest - from the time the right to receive interest revenue has been attained, using the effective interest method;
- Royalties and licence fees - from the time a right to receive consideration for the provision of, or investment in, assets or the use of a Country Road trademark, has been attained;
- Operating sub-lease revenue - from the time a right is attained 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; and
- Tender forfeits - from the time the obligation to honour a tender expires.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Derivative financial instruments**

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a highly probable forecast commitment is accounted for as a cash flow hedge. The Group does not hedge its net investments in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Cash Flow Hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(w) New standards and interpretations not yet adopted**

The following standards, amendments to standards or interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

Amendment/ New	Affected Standards	Application Date of Standard	Application Date for Group	Accounting Policy Impact
New	AASB 8 Operating Segments	1 January 2009	1 July 2009	AASB 8 is a disclosure standard and will have no direct impact on the amounts included in the Group's financial statements. However, the standard may result in changes to the segment reporting disclosures included in the Group's financial report.
New	IFRIC Interpretation 13	1 July 2008	1 July 2008	The Group does not have any customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods and services. As such this interpretation is not expected to have any impact on the Group's financial report.
Amendment	Amendments to Australian Accounting Standards arising from AASB 101	1 July 2009	1 July 2009	These amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.
Amendment	AASB 123 Borrowing Costs	1 January 2009	1 July 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Groups financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

COUNTRY ROAD LIMITED ACN 006 759 182

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>2 REVENUES AND EXPENSES</b>				
<b>(a) Revenue</b>				
<i>Sales revenue</i>				
Sale of goods	289,703	237,611	–	–
Royalties	758	1,015	–	–
	290,461	238,626	–	–
<i>Other revenue</i>				
Tender forfeits	351	249	–	–
Rent revenue	1,376	1,388	–	–
Interest revenue	516	350	8,451	7,383
Proceeds from legal settlement	320	–	–	–
Other	174	206	–	–
	293,198	240,819	8,451	7,383
<i>Interest revenue comprises:</i>				
Interest received from banks and other financial institutions	516	350	5	–
Controlled entities - wholly owned	–	–	8,446	7,383
	516	350	8,451	7,383
<b>(b) Cost of sales</b>				
Costs of inventories recognised as an expense	119,492	104,757	–	–
Adjustments to net realisable value of inventories	163	74	–	–
	119,655	104,831	–	–
<b>(c) Depreciation and other expenses</b>				
Depreciation of plant & equipment	8,226	8,112	–	–
Operating lease expenses				
Minimum rental payments	49,062	32,962	–	–
Contingent rentals	554	464	–	–
	49,616	33,426	–	–
Defined contribution superannuation expense	5,701	4,854	–	–
Net loss on disposal of plant and equipment	72	33	–	–
<b>(d) Finance expenses</b>				
Interest paid to ultimate parent entity	–	144	–	–
Interest paid to banks and other financial institutions	73	67	–	–
Facility fees	81	114	–	–
	154	325	–	–

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>3 INCOME TAX EXPENSE</b>				
<b>(a) Income tax expense</b>				
Current tax	(4,026)	(132)	84	70
Deferred tax	(227)	7,917	–	–
Income tax (expense) or benefit	(4,253)	7,785	84	70
Deferred income tax revenue (expense) included in income tax expense comprises:				
(Decrease) increase in deferred tax assets	(161)	8,491	–	–
Decrease (increase) in deferred tax liabilities	(66)	(574)	–	–
	(227)	7,917	–	–
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit before income tax expense	14,012	9,194	8,161	7,151
Prima facie tax thereon at 30% (2007: 30%)	(4,204)	(2,758)	(2,448)	(2,145)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-allowable expenses	57	(134)	–	–
Effect of different rates of tax on overseas taxable income	27	(11)	–	–
Initial recognition of previously unrecognised temporary differences	–	10,552	–	–
Adjustment to prior period provision	(23)	–	–	–
Current year movement in temporary differences	(110)	136	–	–
Transfer of net tax to consolidated group	–	–	2,532	2,215
<b>Income tax (expense) or benefit</b>	<b>(4,253)</b>	<b>7,785</b>	<b>84</b>	<b>70</b>
<b>(c) Deferred tax assets</b>				
The balance comprises temporary differences attributable to:				
Amounts recognised directly in income statement				
Depreciation	3,565	2,817	–	–
Employee benefits	1,287	1,110	–	–
Lease incentives	111	144	–	–
Lease liabilities	1,170	1,389	–	–
Inventories	1,103	2,602	–	–
Cash flow hedges	1,001	664	–	–
Other	1,181	581	–	–
	9,418	9,307	–	–
Movements:				
Opening balance at beginning of period	9,307	139	–	–
Credited (charged) to the income statement	(161)	8,491	–	–
Credited (charged) directly to equity	337	664	–	–
Adjustment to prior period provision	(65)	13	–	–
	9,418	9,307	–	–
<b>Deferred tax liabilities</b>				
The balance comprises temporary differences attributable to:				
Amounts recognised directly in income statement				
Lay-by sales	114	118	–	–
Intangible assets	180	180	–	–
Lease assets	19	21	–	–
Other	377	307	–	–
	690	626	–	–
Movements:				
Opening balance at beginning of period	626	47	–	–
(Credited) charged to the income statement	66	574	–	–
Adjustment to prior period provision	(2)	5	–	–
	690	626	–	–

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>3 INCOME TAX EXPENSE (CONTINUED)</b>				
<b>(d) Unrecognised temporary differences</b>				
Temporary differences relating to investments in subsidiaries for which deferred tax assets (liabilities) have not been recognised, tax-effected at 30% (2007: 30%)				
Foreign currency translation	297	176	–	–
Undistributed earnings	(446)	(378)	–	–
	(149)	(202)	–	–
<p>A deferred tax asset has not been recognised in respect of the temporary differences arising as a result of the translation of the financial statements of the Group's New Zealand subsidiary, Country Road Clothing (NZ) Ltd. The deferred tax asset will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.</p> <p>Country Road Clothing (NZ) Ltd has undistributed earnings of \$2,974,907 (2007: \$2,518,529) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.</p>				
<b>(e) Tax consolidation legislation</b>				
Effective 1 July 2003, Country Road Limited and its wholly- owned Australian subsidiaries formed a tax consolidated group.				
The head entity of the tax consolidated group is Country Road Limited. Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with the "separate taxpayer within group" approach as prescribed by UIG 1052 'Tax Consolidation Accounting', while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made in line with half-yearly reporting periods.				
The allocation of taxes under the tax funding agreement is recognised in the subsidiaries' intercompany accounts with the tax consolidated group head company, Country Road Limited.				
Funding is based on amounts recognised in the financial statements of wholly-owned subsidiaries in the tax consolidated group.				
<b>4 CASH AND CASH EQUIVALENTS</b>				
Cash at bank and in transit	710	1,384	6	–
Cash on hand	101	97	–	–
Short term deposits	20,980	17,769	–	–
	21,791	19,250	6	–

Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 6.75% (2007: 5.75%) per annum. Short term deposits are at call and earn interest at 7.15% (2007: 6.15%) per annum.

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>5 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	2,409	2,937	–	–
Related party receivables				
Trade receivables	1,032	–	–	–
Other receivables	318	–	–	–
	1,350	–	–	–
Other receivables	90	82	–	–
	3,849	3,019	–	–
<b>Allowance for impairment loss</b>				
The balance of the Group's trade and other receivables do not contain impaired assets at balance date.				
The ageing of the trade receivables at reporting date is as follows:				
Not past due	2,831	2,875	–	–
Past due 0 - 30 days	354	21	–	–
Past due 31 - 90 days	256	30	–	–
Past due > 90 days	–	11	–	–
	3,441	2,937	–	–
<b>Related party receivables</b>				
For terms and conditions of related party receivables refer to note 19.				
<b>6 INVENTORIES</b>				
Total inventories at the lower of cost and net realisable value				
Finished goods	28,553	29,395	–	–
	28,553	29,395	–	–
<b>7 RECEIVABLES (NON-CURRENT)</b>				
Other receivables	39	32	–	–
	39	32	–	–
<b>8 PLANT AND EQUIPMENT</b>				
Leasehold improvements				
At cost	21,779	17,223	–	–
Accumulated depreciation	(11,601)	(9,562)	–	–
	10,178	7,661	–	–
Fixtures, fittings and equipment				
At cost	72,705	68,123	–	–
Accumulated depreciation	(53,633)	(48,213)	–	–
	19,072	19,910	–	–
Capital works in progress	3,974	2,554	–	–
	33,224	30,125	–	–
<b>Reconciliations</b>				
Leasehold improvements				
Carrying amount at the beginning of the year	7,661	6,290	–	–
Foreign currency translation impact on opening balance	(123)	81	–	–
Additions during the year	5,047	2,778	–	–
Disposals during the year	(207)	–	–	–
Depreciation expense	(2,200)	(1,488)	–	–
Carrying amount at the end of the year	10,178	7,661	–	–
Fixtures, fittings and equipment				
Carrying amount at the beginning of the year	19,910	18,064	–	–
Foreign currency translation impact on opening balance	(162)	120	–	–
Additions during the year	6,132	8,387	–	–
Disposals during the year	(782)	(37)	–	–
Depreciation expense	(6,026)	(6,624)	–	–
Carrying amount at the end of the year	19,072	19,910	–	–
Capital works in progress				
Carrying amount at the beginning of the year	2,554	3,479	–	–
Foreign currency translation impact on opening balance	(14)	9	–	–
Additions during the year	12,613	10,231	–	–
Transfers to other categories	(11,179)	(11,165)	–	–
Carrying amount at the end of the year	3,974	2,554	–	–

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>9 INTANGIBLE ASSETS</b>				
Trade names				
At deemed cost	11,189	11,189	-	-
	11,189	11,189	-	-
<b>RECONCILIATIONS</b>				
Trade names				
Carrying amount at the beginning of the year	11,189	11,189	-	-
Additions during the year	-	-	-	-
	11,189	11,189	-	-
<b>Description of the Group's intangible assets</b>				
Trade names acquired by the Group are carried at deemed cost and are deemed to have an indefinite useful life as they are expected to contribute net cash inflows indefinitely. Therefore the trade names will not be amortised until its useful life is determined to be finite. The trade names are tested for impairment at least annually, or whenever there is an indication they may be impaired. The trade names have been allocated to the Group as an individual cash generating unit.				
<b>Impairment tests for intangibles with indefinite useful lives</b>				
The calculation of value in use for trade names is based on a royalties earned methodology, using cash flow projections covering a five year period. Based on this methodology, the Directors are satisfied the carrying value of the trade names are not valued in excess of their recoverable amount. The calculation of value in use is most sensitive to the following assumptions:				
<ul style="list-style-type: none"> <li>royalty percentage applied - based on a conservative view of franchise industry rates, the royalty percentage used is 2.5% (2007: 2.5%);</li> <li>discount rates - the pre-tax discount rate applied to the cash flow projection is 17.6% (2007: 13.1%); and</li> <li>growth rates used to extrapolate cash flows - the growth rate used to extrapolate cash flows from royalties, based on the Australian Bureau of Statistics annualised growth rates for the retail clothing sector is 5.2% (2007: 7.5%).</li> </ul>				
With regard to the assessment of value in use, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the trade names to materially exceed its recoverable amount.				
<b>10 OTHER FINANCIAL ASSETS (NON-CURRENT)</b>				
Shares in controlled entities				
Unlisted at cost	-	-	54,801	54,801
Allowance for diminution in value			(43,455)	(43,455)
	-	-	11,346	11,346
Loans and other debtors				
Loans to controlled entities	-	-	109,802	105,048
Allowance for doubtful debts	-	-	(42,331)	(42,331)
	-	-	67,471	62,717
	-	-	78,817	74,063
<b>11 TRADE AND OTHER PAYABLES (CURRENT)</b>				
Trade payables	11,160	13,384	-	-
Other payables	11,505	9,374	29	3
	22,665	22,758	29	3
<b>12 PROVISIONS (CURRENT)</b>				
Lease incentives	179	190	-	-
Leases expensed on straight line basis	575	793	-	-
Employee benefits	3,936	3,456	-	-
	4,690	4,439	-	-

**Movements:** Refer to note 13.

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>13 PROVISIONS (NON-CURRENT)</b>				
Lease incentives	265	461	–	–
Leases expensed on straight line basis	3,289	3,789	–	–
Employee benefits	360	352	–	–
	<b>3,914</b>	<b>4,602</b>	<b>–</b>	<b>–</b>

#### Lease incentives

A provision is recognised for lessor contributions to the construction of a premises where the ownership of the assets is retained by the Company. These contributions are reduced on a straight-line basis over the remaining term of the lease.

#### Leases expensed on straight-line basis

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease where such leases contain fixed escalation rates. A provision is recognised for the difference between the operating lease payments and the straight-line expense, which will unwind at the end of the lease term.

#### Movements in provisions:

Movements in each class of provision, other than employee benefits, are set out below:

#### Consolidated

	Lease Incentives \$000's	Leases expensed on a straight-line basis \$000's	Total \$000's
Balance at beginning of financial year	651	4,582	5,233
Provision raised during the period	–	–	–
Provision used during the period	(196)	(662)	(858)
Provisions reversed during the period	–	–	–
Foreign currency adjustment on opening balance	(11)	(56)	(67)
Balance at end of financial year	<b>444</b>	<b>3,864</b>	<b>4,308</b>
Non-current	265	3,289	3,554
Current	179	575	754
	<b>444</b>	<b>3,864</b>	<b>4,308</b>

The Company had no outstanding provisions at reporting date.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

COUNTRY ROAD LIMITED ACN 006 759 182

	Note	Consolidated		Country Road Ltd	
		2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>14 CONTRIBUTED EQUITY, DIVIDENDS AND EARNINGS PER SHARE</b>					
Ordinary shares		74,087	80,907	74,087	80,907
		74,087	80,907	74,087	80,907
<b>Ordinary shares</b>					
Number of ordinary shares issued and fully paid at balance date (not rounded)		69,056,822	69,056,822	69,056,822	69,056,822
Fully paid ordinary shares carry one vote per share and carry the right to receive dividends.					
<b>Movements</b>					
Ordinary shares					
Balance at beginning of financial year		80,907	80,907	80,907	80,907
Share capital reduction	15	(6,820)	–	(6,820)	–
Balance at end of financial year		74,087	80,907	74,087	80,907
At the Annual General Meeting on 25 October 2007, shareholders approved a resolution to reduce the share capital and accumulated losses of the Company by an amount of \$6,820,081. The Company did not return any capital to shareholders and the number of shares on issue did not change during the reporting period.					
<b>Dividends paid</b>					
Dividends on ordinary shares:					
Final franked dividend for 2007 at 7.24 cents per share		5,000	–	5,000	–
Interim franked dividend for 2008 at 3.31 cents per share		2,285	–	2,285	–
		7,285	–	7,285	–
<b>Dividends not recognised at year end</b>					
Since year end the Directors have determined the payment of a final dividend of 5.00 cents per fully paid ordinary share, (2007: 7.24 cents) fully franked based on tax paid at 30%. The aggregate amount of the dividend scheduled to be paid on 8 October 2008 out of profits earned in respect of the financial year ending 30 June 2008, but not recognised as a liability at year end, is					
		3,453	5,000	3,453	5,000
<b>Franked dividends</b>					
Franking credits available for future reporting periods based on a tax rate of 30%					
		10,233	13,354	10,233	13,354
The impact on the franking account of the dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1,480,000 (2007: \$2,143,000).					
<b>Basic earnings per share</b>					
Profit attributable to the equity holders of the company (cents per share)		14.13	24.59		
Profit attributable to the equity holders of the company used in calculating basic earnings per share		9,759	16,979		
Weighted average number of shares used in calculating earnings per share (not rounded)		69,056,822	69,056,822		
<b>Diluted earnings per share</b>					
No adjustments for dilutive securities are required.					

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>15 RETAINED PROFITS (LOSSES) AND RESERVES</b>				
Retained profits (losses)	(844)	(10,138)	960	(6,820)
<b>Reserves</b>				
Exchange differences on translation of foreign operations	(927)	(218)	–	–
Hedging reserve - cash flow hedges	(2,327)	(1,548)	–	–
	(3,254)	(1,766)	–	–
<b>Movements:</b>				
Retained profits (losses)				
Balance at beginning of financial year	(10,138)	(27,117)	(6,820)	(14,042)
Share capital reduction	6,820	–	6,820	–
Dividends paid	(7,285)	–	(7,285)	–
Net profit for the year	9,759	16,979	8,245	7,222
Balance at end of financial year	(844)	(10,138)	960	(6,820)
Exchange differences on translation of foreign operations				
Balance at beginning of financial year	(218)	(627)	–	–
Exchange differences on translation of foreign operations during period	(709)	409	–	–
Balance at end of financial year	(927)	(218)	–	–
Hedging reserve - cash flow hedges				
Balance at beginning of financial year	(1,548)	754	–	–
Revaluation - gross	(1,116)	(2,966)	–	–
Deferred tax	337	664	–	–
Balance at end of financial year	(2,327)	(1,548)	–	–
<b>Nature and purpose of reserves</b>				
Foreign currency translation reserve:				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.				
Cash flow hedge reserve:				
This reserve records the portion of the gain or loss on a hedging instrument that is deemed to be an effective hedge. There was no hedge ineffectiveness recognised in the income statement during the year.				
<b>16 COMMITMENTS</b>				
<b>Capital commitments</b>				
At reporting date the Group has commitments principally relating to the opening of new stores, the refurbishment of existing stores, and investment in/upgrades to information technology systems.				
Commitments contracted for at reporting date but not recognised as liabilities are:				
Within one year	1,834	1,914	–	–
	1,834	1,914	–	–
<b>Operating lease commitments – Group as lessee</b>				
The Group has entered into lease agreements for its stores, administration offices, office equipment and information technology systems. Certain store leases contain contingent rental terms which are triggered if predetermined sales levels are achieved.				
Commitments contracted for at reporting date but not recognised as liabilities are:				
not later than one year	50,838	28,256	–	–
later than one year but not later than five years	103,182	82,165	–	–
later than five years	10,398	20,610	–	–
	164,418	131,031	–	–

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>16 COMMITMENTS (CONTINUED)</b>				
<b>Operating lease commitments - Group as lessor</b>				
The Group enters into arrangements to sub-lease premises to maximise productivity of available space, or as part of outsourcing arrangements to third parties.				
Commitments contracted for at reporting date but not recognised as assets are:				
not later than one year	760	1,152	–	–
later than one year but not later than five years	842	1,582	–	–
	1,602	2,734	–	–
<b>17 REMUNERATION OF AUDITORS</b>				
Amounts received or due and receivable by Ernst & Young Australia (in whole dollars) for:				
– an audit or review of the financial report of the entity and any other entity in the Group	\$175,000	\$175,000	\$17,500	\$17,500
– other services in relation to the entity and any other entity in the Group	–	–	–	–
	\$175,000	\$175,000	\$17,500	\$17,500
<b>18 FINANCING ARRANGEMENTS</b>				
The Group had access to the following financing arrangements:				
External financial institutions:				
Cash advance facility	(i) 12,000	17,000	–	–
Trade finance facility	(i) 5,000	–	–	–
Bank overdraft	(i) 500	500	–	–
<b>Total facilities available</b>	17,500	17,500	–	–
<b>Total undrawn facilities</b>	17,500	17,500	–	–

**Terms and conditions**

- (i) Bank facilities are denominated in Australian dollars and are subject to annual review. Interest is payable at market rates (refer Note 25). Bank facilities have been provided on an unsecure basis.

## 19 RELATED PARTY DISCLOSURES

	Place of incorporation	Note	Total Equity Interest 2008 %	Total Equity Interest 2007 %	Investment 2008 \$000's	Investment 2007 \$000's
Country Road Limited	Australia	(a)				
Country Road Clothing Pty Ltd	Australia	(a)	100	100	54,800	54,800
Country Road Clothing (N.Z.) Ltd	New Zealand		100	100	–	–
Country Road Properties Pty Ltd	Australia	(a)	100	100	–	–
Country Road Ventures Pty Ltd	Australia	(a)	100	100	–	–
Country Road Ltd	UK		100	100	–	–
Country Road International Pty Ltd	Australia	(a)	100	100	1	1
Country Road (Hong Kong) Ltd	Hong Kong		100	100	–	–
					54,801	54,801

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

**(a) Entities subject to class order**

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. Class Order 98/1418 issued by the Australian Securities and Investment Commission relieves these entities from the requirement to prepare, audit and lodgement of their financial reports.

**(i) Income Statement****Profit before income tax expense**

Income tax (expense) benefit

**Net profit for the period**

Retained profits (losses) at beginning of period

Dividends paid

Share capital reduction

**Retained profits at end of period****(ii) Balance Sheet****CURRENT ASSETS**

Cash and cash equivalents

Trade and other receivables

Inventories

Other assets

**Total current assets****NON-CURRENT ASSETS**

Receivables

Investments

Plant and equipment

Intangible assets

Other

**Total non-current assets****Total assets****CURRENT LIABILITIES**

Trade and other payables

Provisions

**Total current liabilities****NON-CURRENT LIABILITIES**

Other payables

Provisions

**Total non-current liabilities****Total liabilities****Net assets****EQUITY**

Contributed equity

Retained profits

**Total equity**

	2008 \$000's	2007 \$000's
<b>Profit before income tax expense</b>	13,283	8,623
Income tax (expense) benefit	(4,068)	7,668
<b>Net profit for the period</b>	9,215	16,291
Retained profits (losses) at beginning of period	9,863	(6,428)
Dividends paid	(7,285)	–
Share capital reduction	6,820	–
<b>Retained profits at end of period</b>	18,613	9,863
<b>(ii) Balance Sheet</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	21,114	18,647
Trade and other receivables	3,817	457
Inventories	26,701	25,828
Other assets	995	1,275
<b>Total current assets</b>	52,627	46,207
<b>NON-CURRENT ASSETS</b>		
Receivables		
Investments	479	2,979
Plant and equipment	30,785	27,874
Intangible assets	11,189	11,189
Other	9,174	9,096
<b>Total non-current assets</b>	51,627	51,138
<b>Total assets</b>	104,254	97,345
<b>CURRENT LIABILITIES</b>		
Trade and other payables	28,983	27,372
Provisions	7,573	3,316
<b>Total current liabilities</b>	36,556	30,688
<b>NON-CURRENT LIABILITIES</b>		
Other payables	151	167
Provisions	4,272	4,708
<b>Total non-current liabilities</b>	4,423	4,875
<b>Total liabilities</b>	40,979	35,563
<b>Net assets</b>	63,275	61,782
<b>EQUITY</b>		
Contributed equity	44,662	51,919
Retained profits	18,613	9,863
<b>Total equity</b>	63,275	61,782

**19 RELATED PARTY DISCLOSURES (CONTINUED)**

**Ultimate parent**

Country Road Limited is the ultimate parent entity in the consolidated Group.  
 The ultimate controlling entity of the consolidated Group in Australia is Woolworths International (Australia) Pty Ltd.  
 The consolidated Group is ultimately controlled by Woolworths Holdings Limited, a company incorporated in South Africa.

**Wholly-owned group transactions**

- (a) The parent entity charges interest on loans to wholly-owned subsidiaries on normal commercial terms and conditions. Amounts charged during the year were \$8,317,562 to Country Road Clothing Pty Ltd (2007: \$7,274,719) and \$128,414 to Country Road International Pty Ltd (2007: \$107,927).
- (b) All expenses incurred by the parent entity during the period as disclosed in the Income Statement were paid by Country Road Clothing Pty Ltd.
- (c) During the year inventory was bought and sold between controlled entities within the Group 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.

**Other related party transactions**

- (a) During the year the Group sold inventory to Woolworths Holdings Limited, totalling \$2,046,152 (2007: Nil). At 30 June 2008 the balance receivable from Woolworths Holdings Limited was \$1,350,160 (2007: Nil). Transactions are on an arm's length basis on normal commercial terms.

**20 DIRECTOR AND EXECUTIVE DISCLOSURES**

**Details of Key Management Personnel**

Directors

- Ian Moir (Executive Director & Chief Executive Officer)
- Simon Susman (Non-Executive Director & Chairman)
- Norman Thomson (Non-Executive Director)
- Glenn Gilzean (Executive Director & GGM Retail Operations)

Executives

- Sophie Holt (GGM Product Design & Development)
- Derek Muirhead (GGM Merchandise)
- Matt Keogh (GGM Human Resources)
- Oliver Kysela (Chief Financial Officer)
- Steven Binns (GGM Information Technology)
- David Thomas (GGM Supply Chain & Business Development – appointed 7 November 2007)

**Compensation of Key Management Personnel**

Short-term employee benefits  
 Post-employment benefits  
 Other long term benefits  
 Share-based payments

	Consolidated		Country Road Ltd	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	\$3,088,829	\$3,189,489	\$71,980	\$75,039
Post-employment benefits	\$328,138	\$255,829	–	–
Other long term benefits	\$2,200,243	–	–	–
Share-based payments	\$112,041	\$112,041	–	–
	\$5,729,251	\$3,557,359	\$71,980	\$75,039

**Option holdings of Key Management Personnel**

Certain key management personnel 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 by Country Road Limited. The value of the options has been determined in accordance with the requirements of AASB 2 'Share Based Payments' and included in the remuneration table which forms part of Directors Report. At balance date, options provided in South African Rand (R) were:

- On 4 April 2002 Mr Ian Moir was granted 1,424,623 options at an exercise price of R3.98, at a fair value in Australian dollars of \$316,833. 20% of the options vest annually for the first 5 years after grant date. At the beginning of the period, 284,925 were held. No options were exercised during the period, with 284,925 options remaining at the end of the period with an expiry date of 4 April 2012.
- On 3 January 2006 Mr Derek Muirhead was granted 264,025 options at an exercise price of R14.11, at a fair value in Australian dollars of \$267,066. 20% of the options vest annually for the first 5 years after grant date. No options were exercised during the period, and all remain at the end of the period with an expiry date of 3 January 2016.

**21 CONTINGENT LIABILITIES****Cross Guarantees**

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 controlled entities who are a party to the deed as presented in Note 19 have guaranteed repayment of all current and future creditors should any of these companies be wound up.

**Litigation**

From time to time the Company and its subsidiaries are involved in litigation relating to 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.

**22 SUBSEQUENT EVENTS**

2008

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

2007

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

**23 RECONCILIATION OF PROFIT AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Reconciliation of operating profit after income tax to net cash flows from operating activities</b>				
<b>Operating profit after income tax</b>	9,759	16,979	8,245	7,222
<b>Add non-cash items</b>				
Depreciation	8,226	8,112	–	–
Market valuation of non-effective cash flow hedges	–	392	–	–
Lease incentive amortisation	(196)	(170)	–	–
Adjustments to net realisable value of inventories	(163)	(74)	–	–
Disposal of plant and equipment	72	36	–	–
Capital works in progress accruals	288	522	–	–
Net foreign currency translation (gains)/losses	(84)	(85)	–	–
Allowance for doubtful debts	–	(27)	–	–
<b>Changes in:</b>				
Trade and other receivables	(830)	1,201	–	–
Inventories	1,005	(4,783)	–	–
Other financial assets	–	–	(12,038)	(7,222)
Other assets	271	1,052	25	–
Deferred tax assets	(47)	(8,589)	–	–
Trade and other payables	(371)	8,096	26	–
Provision for income tax	3,823	106	3,745	–
Other provisions	(437)	(35)	–	–
Other liabilities	1,125	2,181	–	–
Hedging reserve	(779)	(2,302)	–	–
<b>Net cash flows from (used in) operating activities</b>	<b>21,662</b>	<b>22,612</b>	<b>3</b>	<b>–</b>

**24 SEGMENT INFORMATION****(a) Geographical segments**

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by external economic factors and consumer behaviours exclusive to those segments.

	Consolidated			Consolidated		
	2008 Australia \$000's	2008 New Zealand \$000's	2008 Total \$000's	2007 Australia \$000's	2007 New Zealand \$000's	2007 Total \$000's
<b>Revenue</b>						
Sales to external customers	264,010	25,693	289,703	215,500	22,111	237,611
Inter-segment sales	10,514	–	10,514	9,246	–	9,246
Other revenues	2,921	58	2,979	2,811	47	2,858
Total segment revenue	277,445	25,751	303,196	227,557	22,158	249,715
Inter-segment elimination			(10,514)			(9,246)
Non-segment revenues						
Interest revenue			516			350
Total consolidated revenue			293,198			240,819
<b>Result</b>						
Segment result	13,696	760	14,456	9,099	652	9,751
Unallocated expenses			(290)			(232)
Profit before tax and finance expenses			14,166			9,519
Finance expenses			(154)			(325)
Profit before tax			14,012			9,194
Income tax (expense) benefit			(4,253)			7,785
Net profit for the year			9,759			16,979
<b>Assets and liabilities</b>						
Segment assets	91,784	5,530	97,314	86,579	5,340	91,919
Unallocated assets			11,198			11,189
Total assets			108,512			103,108
Segment liabilities	33,801	1,385	35,186	30,313	1,580	31,893
Unallocated liabilities			3,337			2,212
Total liabilities			38,523			34,105
Other segment information						
Capital expenditure	10,671	1,093	11,764	9,746	466	10,212
Depreciation and amortisation	7,606	620	8,226	7,536	576	8,112
Significant non-cash items other than depreciation and amortisation	72	–	72	33	–	33

**24 SEGMENT INFORMATION (CONTINUED)****(b) Business segments**

The Group's business segments are determined based on the size, nature and other unique characteristics associated with the direct customer.

	Consolidated			Total \$000's
	Retail Stand-alone Stores \$000's	Retail Department Stores \$000's	Wholesale \$000's	
<b>2008</b>				
Revenue				
Sales to external customers	215,347	72,350	2,006	289,703
Tender forfeits	351	-	-	351
Segment revenue	215,698	72,350	2,006	290,054
Other segment information				
Segment assets	37,233	11,408	1,203	49,844
Unallocated assets				58,668
Total assets				108,512
Capital expenditure	9,148	1,662	-	10,810
<b>2007</b>				
Revenue				
Sales to external customers	188,651	29,990	18,970	237,611
Tender forfeits	249	-	-	249
Segment revenue	188,900	29,990	18,970	237,860
Other segment information				
Segment assets	39,928	10,177	364	50,469
Unallocated assets				52,639
Total assets				103,108
Capital expenditure	5,457	2,068	-	7,525

**25 FINANCIAL INSTRUMENTS**

**(a) Financial risk management objectives and policies**

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short-term deposits. The Group is provided with financing arrangements as disclosed in Note 18. The main purpose of these financial instruments is to finance the Group's working capital and investment requirements. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements. Changes in variables illustrated in the tables below are based on management's view of current market conditions at reporting date.

**(b) Cash flow interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term cash advance and overdraft facilities.

The Group's policy is to manage its interest cost by minimising externally sourced debt and maximising returns on surplus cash through intensive daily working capital management and cashflow forecasting. The Group's policy is to ensure the use of cash advance and overdraft facilities are minimised, and that operations are conducted within the facilities provided.

At reporting date, the Group had the following mix of financial assets exposed to variable interest rate risk. The Group had no financial liabilities exposed to variable interest rate risk at reporting date.

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Financial assets</b>				
Cash and cash equivalents	21,791	19,250	6	-
Related party loans	-	-	67,471	62,717
Net exposure	21,791	19,250	67,477	62,717

At reporting date, if interest rates had moved, as illustrated below, with all other variables held constant, post tax profit and equity would have been affected due to the impacts on net interest revenue during the year as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Consolidated</b>				
+0.50% (50 basis points)	22	16	-	-
-1.00% (100 basis points)	(44)	(32)	-	-
<b>Parent</b>				
+0.50% (50 basis points)	344	354	-	-
-1.00% (100 basis points)	(688)	(708)	-	-

The movements in profit are due to higher/lower interest costs from variable rate cash and receivable balances.

**25 FINANCIAL INSTRUMENTS (CONTINUED)****(c) Liquidity risk**

The Group's objective is to ensure that there are funds available to meet all commitments through the use of available cash flow, available liquid assets and committed bank facilities.

The table below reflects the maturity analysis of financial assets and liabilities, excluding inventories, based on management's expectation.

Year ended 30 June 2008	Total \$000's	< 3 mths \$000's	3 - 12 mths \$000's	1 - 5 yrs \$000's	> 5 yrs \$000's
<b>Financial assets</b>					
Cash and cash equivalents	21,791	21,791	–	–	–
Trade and other receivables	3,888	3,575	274	39	–
Derivative financial instruments	9	–	9	–	–
	25,688	25,366	283	39	–
<b>Financial liabilities</b>					
Trade and other payables	22,665	22,630	25	10	–
Derivative financial instruments	3,337	922	2,415	–	–
	26,002	23,552	2,440	10	–
<b>Net maturity</b>	(314)	1,814	(2,157)	29	–

The Company had no financial liabilities at reporting date.

**Terms and conditions of financial assets and liabilities***Trade and other receivables*

- (i) Trade debtors are non-interest bearing and generally on terms of 30 days or less.
- (ii) Other debtors are non-interest bearing and have repayment terms between 1 day and 45 days.
- (iii) Details of the terms and conditions of related party receivables are set out in Note 19.

*Other assets*

- (i) Refer Note 25(g) for details of foreign currency derivatives.

*Trade and other payables*

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors are non-interest bearing and have average repayment terms of between 30 and 90 days.
- (iii) Refer Note 25(g) for details of foreign currency derivatives.

**(d) Foreign currency risk**

As inventories are predominantly imported and denominated in United States dollars (USD), the Group's financial results can be affected significantly by movements in the AUD/USD exchange rate. The Group also purchases inventory in Euro (EUR), and is impacted by movements in the AUD/EUR exchange rates. The Group's policy is to hedge at least 80% of probable forecast inventory commitments using predominantly forward currency contracts. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. At balance date, the Group had hedged 97% of its highly probable forecast USD purchases, and 89% of its highly probable forecast EUR purchases extending to 17 June 2009.

The Group also has transactional currency exposures arising from transacting with its New Zealand operations in its functional currency of New Zealand dollars (NZD). These exposures are not material to the Group and are not required to be hedged.

The Group's consolidated results are exposed to fluctuations in the AUD/NZD exchange rate. Although exchange differences arising from translation of these operations into the Group's presentation currency (Australian dollars) are taken to equity, translated sales and profits of the New Zealand operations are impacted by fluctuations in the AUD/NZD exchange rate. It is the Group's policy not to hedge exchange differences arising on the translation of foreign operations.

**25 FINANCIAL INSTRUMENTS (CONTINUED)**

**(d) Foreign currency risk** (continued)

At balance date, the Group had the following exposure to foreign currency:

	Consolidated		Country Road Ltd	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Financial liabilities</b>				
Trade payables - USD	5,304	6,154	-	-
Trade payables - EUR	88	7	-	-
Net exposure	5,392	6,161	-	-

The Group also has, as outlined in part (g) below, forward currency contracts designated as cash flow hedges that are subject to fair value movements through equity as exchange rates move.

At reporting date, had the Australian dollar moved, as illustrated below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
<b>Consolidated</b>				
AUD/USD +5%	-	-	(3,746)	(2,241)
AUD/EUR +5%	-	-	(62)	(28)
AUD/USD -10%	-	-	8,738	5,229
AUD/EUR -10%	-	-	142	67

The Company had no exposure to foreign exchange movements at reporting date.

**(e) Credit risk**

The Group takes steps to ensure it trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, and amounts owing by smaller third parties are secured through the provision of bank or personal guarantees. In addition, receivable balances are monitored intensely on an ongoing basis, with the Group's exposure to, and history of, bad debts minimal. Credit risk is largely concentrated with Myer Limited and David Jones Limited.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Where the Group trades with recognised third parties, there is no requirement for collateral.

**(f) Fair values**

The carrying values of all financial assets and liabilities reflect their fair values. All borrowings are subject to floating rates of interest. Revaluation of hedge contracts to market value are presented in Note 25(g) below.

The fair values of derivatives have been calculated by discounting the expected future cash flows at prevailing interest rates.

**25 FINANCIAL INSTRUMENTS (CONTINUED)****(g) Foreign currency hedging activities**

## Effective cash flow hedges

The Group holds foreign exchange contracts designated by range month as hedges of purchases of inventories in foreign currencies that are deemed highly probable at the time of designation, and which historically have proven to become firm commitments thereafter. The forward currency contracts are considered to be fully effective as they are matched against inventory purchases and any gain or loss is taken directly to equity. The cash flows are expected to occur between 1-12 months from 1 July 2008 and the profit and loss within cost of sales will be effected over the next few years as the inventory is sold. The parent entity itself does not conduct hedging activities.

At reporting date, the Group's contracts hedging future inventory purchases were:

	Buy US Dollars \$000's	Buy Euro \$000's	Totals \$000's
<b>2008</b>			
Aggregate foreign currency value of contracts	75,014	772	
Weighted average foreign exchange rate	0.915	0.605	
Aggregate value of contracts in Australian dollars	81,976	1,276	
Fair value at reporting date	78,646	1,278	
Net gain/(loss) on revaluation taken to reserves	(3,330)	2	(3,328)
Net gain/(loss) on revaluation taken to the income statement	-	-	-
	(3,330)	2	(3,328)
<b>2007</b>			
Aggregate foreign currency value of contracts	39,727	376	
Weighted average foreign exchange rate	0.806	0.626	
Aggregate value of contracts in Australian dollars	49,283	600	
Fair value at reporting date	47,072	599	
Net gain/(loss) on revaluation taken to reserves	(2,211)	(1)	(2,212)
Net gain/(loss) on revaluation taken to the income statement	-	-	-
	(2,211)	(1)	(2,212)



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## Independent auditor's report to members of Country Road Limited

### Report on the Financial Report

We have audited the accompanying financial report of Country Road Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

#### *Auditor's Opinion*

In our opinion:

1. the financial report of Country Road Limited is in accordance with 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 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Report on the Remuneration Report

We have audited the Remuneration Report included on pages 18 to 23 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with the section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's Opinion*

In our opinion the Remuneration Report of Country Road Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Robert Perry  
Partner  
Melbourne  
20 August 2008

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows.

#### A SUBSTANTIAL SHAREHOLDERS

Name	Number of shares	% Held to total shares
Woolworths International (Australia) Pty Limited	60,688,384	87.88
Australian Retail Investments Pty Limited	8,173,688	11.84
	68,862,072	99.72

#### B DISTRIBUTION OF EQUITY SECURITIES

	Number of Ordinary Shareholders	Number of Ordinary Shares
1 – 1,000	158	49,162
1,001 – 5,000	33	65,624
5,001 – 10,000	4	26,027
10,001 – 100,000	3	53,937
>100,000	2	68,862,072
Total ordinary shares	200	69,056,822
Holding less than a marketable parcel:	63	4,524

#### C VOTING RIGHTS

All issued ordinary shares carry one vote per share and carry the rights to dividends.

#### D TWENTY LARGEST SHAREHOLDERS

	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 <Hinzack Super Fund>	31,457	0.05
4 Ms Kerri Louise Summers	22,480	0.03
5 Ms Monica Ellen Kempler	7,400	0.01
6 Mr David Osborne + Mrs Lynette Osborne <Osborne Family Super Fund>	7,271	0.01
7 Mr Rodney Rafter	6,106	0.01
8 Ms Deanne Gaye Watts	5,250	0.01
9 Ms Deanne Gaye Watts + Mr Agostino Mario Stati <Deanne Watts Super Fund>	5,000	0.01
10 Mrs Anastasios Atgiaras & Mrs Ifigenia Atgiaras	4,579	0.01
11 Mr Brad Cumming <The B&L Cumming Super Fund>	3,900	<0.01
12 Mr John Allan Dawkins + Mrs Christine Gould Dawkins <J + C Dawkins Super Fund>	2,960	<0.01
13 Mrs Barbara McNally	2,950	<0.01
14 Mr Avdyl Agushi + Mrs Luma Agushi <Future Ind Retirement Fund>	2,500	<0.01
15 Mr John Armit	2,300	<0.01
16 Mrs Mary Rosa Wilson	2,241	<0.01
17 Mr Brad Cumming <Emily & Georgie Cumming A/C>	2,222	<0.01
18 Mrs Chistine Manos	2,115	<0.01
19 Mr Matthew Keith James Bodley	2,100	<0.01
20 Dimarca Pty Ltd <The Robel Super Fund>	2,000	<0.01
	68,976,903	99.87

**REGISTERED OFFICE**

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**CORPORATE INFORMATION**

Country Road Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the Group are the designing and retailing of apparel, homeware and related accessories.

**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**

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Pty Limited

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Country Road has printed this Annual Report on Environment. Environment is made from 100% post consumer waste and is FSC 100% Recycled Certified. It is certified Processed Chlorine Free (PCF) and is manufactured using renewable energy.





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