COUNTRY ROAD

ANNUAL REPORT 2009

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COUNTRY ROAD

TRENERY

IN FEBRUARY 2009 WE ANNOUNCED THE LAUNCH OF OUR NEW TRENERY LABEL. IT HAS BEEN DEVELOPED TO MEET THE FASHION NEEDS OF CUSTOMERS WHO WANT CLOTHES THAT ARE RELEVANT, STYLISH, SIMPLE AND BEAUTIFUL AND HAVE COUNTRY ROAD'S SAME FOCUS ON QUALITY, FIT AND VALUE.

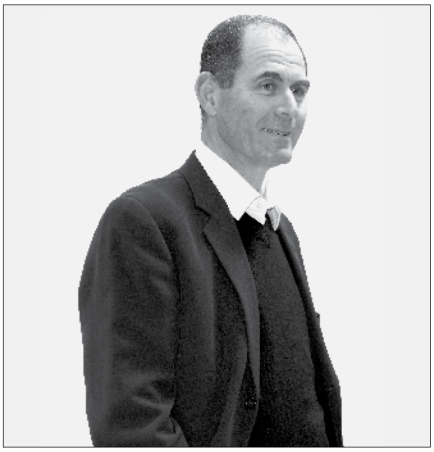
COUNTRY ROAD HAS ATTRACTED A YOUNGER MARKET IN RECENT YEARS AND THE TIME IS NOW RIGHT FOR TRENERY TO PICK UP THE MANTLE AS ITS GROWN-UP SIBLING. WHILE THE TWO BRANDS SHARE MANY QUALITIES THEY ARE CLEARLY DIFFERENTIATED IN THEIR DESIGN PROPOSITION AND TARGET CUSTOMER. TOGETHER THEY CREATE A STRONG PLATFORM FOR FUTURE GROWTH.

COUNTRY ROAD EMBODIES THE EASY, DOWN-TO-EARTH STYLE AUSTRALIANS ARE RENOWNED FOR. THERE'S A LEVEL OF QUALITY AND TASTE; AN ACCESSIBLE SOPHISTICATION AND MODERNITY THAT MAKES COUNTRY ROAD UNMISTAKABLE.

COUNTRY ROAD

TRENERY PROVIDES THE MODERN 40+ MARKET WITH EVERYDAY LUXURY FASHION THAT MAKES IT EASY FOR THEM TO LOOK AS GOOD AS THEY FEEL.

TRENERY



THE JOURNEY TO BECOME A MORE SIMPLIFIED, FOCUSED AND ACCESSIBLE RETAIL BUSINESS ENABLED US TO CONTINUE TO FURTHER STRENGTHEN OUR MARKET POSITION DURING THE DIFFICULT ECONOMIC CONDITIONS THAT PREVAILED OVER THE PAST 12 MONTHS. WE DELIVERED A THIRD CONSECUTIVE YEAR OF STRONG SALES AND PROFIT GROWTH AND HAVE EXCEEDED THE TARGETS THAT WE SET OURSELVES IN OUR FIVE-YEAR BUSINESS TURNAROUND PLAN BACK IN 2005.
SIMON SUSMAN, CHAIRMAN

The journey to become a more simplified, focused and accessible retail business enabled us to continue to further strengthen our market position during the difficult economic conditions that prevailed over the past 12 months. We delivered a third consecutive year of strong sales and profit growth and have exceeded the targets that we set ourselves in our five-year business turnaround plan back in 2005.

In a time when returns in equity markets have been in decline the Directors were delighted to announce a fully franked total dividend of 13.32 cents per fully paid ordinary share representing dividend growth to shareholders of 60.3% on last year's total dividend of 8.31 cents per share.

Our consolidated sales increased by 18.4% on last year, with an optimal mix of strong comparable store sales growth as well as new sales arising from our real estate expansion initiatives. The performance of our stand alone Country Road retail stores was again very strong with sales increasing by 18.7% on last year after year on year growth in the previous two years of 14.2% and 15.1% respectively.

As our market share increases we continue to focus on improving the productivity and operating margin of our business as well. Our cost of doing business fell from 54.4% of revenues last year to 51.9% and our operating margin before tax improved from 4.8% last year to 6.3% this year.

Our balance sheet is strong and we have enjoyed the benefits of strong cash management without the need to restructure our facilities in a stressed credit market. We self-funded capital investment projects of an unprecedented magnitude of $22 million as well as a disproportionate tax bill and record returns to shareholders. Management were not required to utilise our existing facilities at any time during the year and we closed on cash reserves of almost $26 million, up $4 million on last year.

Capital investment projects are only undertaken after much rigor and must meet specified hurdles to provide an acceptable return on investment. During the year we opened six new Country Road stores and refurbished four existing stores, increasing our retail store trading space by over 2000 square metres. We also added four new concession stores. We will continue to be very active in procuring additional productive trading space as opportunities arise and we have planned for four new Country Road stores and five expansions of existing stores in the next financial year.

Whilst we reflect on a very successful year there remains much work to be done. As this report goes to print we will have launched our new Trenery label in 16 Woolworths stores in South Africa and in five stand alone retail stores in Australia, with a sixth store to open in November. We have also continued to expand the Country Road brand in South Africa after a successful trial and we now have the foundation to build an exciting business that we envisage will be a strong contributor to the growth in returns to Country Road Limited shareholders in the years ahead.

The Company is well positioned to deliver the next phase of growth in profitability and returns to shareholders in line with its vision and strategy and the Board continues to have confidence 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

WE ARE DETERMINED TO INCREASE OUR CUSTOMER BASE IN BOTH OUR BRANDS AND REWARD OUR VALUED EXISTING CUSTOMERS BY PROVIDING EVEN BETTER MERCHANDISE AT UNRIVALLED VALUE AND FASHIONABILITY WITHOUT COMPROMISING QUALITY. OUR BALANCE SHEET AND CASH RESERVES ARE STRONG AND WE WILL CONTINUE TO INVEST IN OUR STORES BUT ONLY TO THE EXTENT THAT OUR CRITERIA FOR ACCEPTABLE RETURNS ON OUR INVESTMENTS ARE SATISFIED.

IAN MOIR, CHIEF EXECUTIVE OFFICER

Country Road defied challenging trading conditions in the Australian retail sector and delivered a third consecutive year of strong growth in sales and operating profit. As economic conditions deteriorated, we saw the importance of value in the market intensify and we were well positioned to benefit from the substitution out of the high end of the market. Our existing customers continued to respond strongly to the fashionability, value and quality that we offer.

It was encouraging to see the business win the Marie Claire magazine fashion retailer of the year, as well as being awarded retailer of the year both overall and in the clothing and footwear category by the Australian Retailers Association.

YEAR IN REVIEW

Sales growth again significantly outperformed the market average in the clothing sector as published by the Australian Bureau of Statistics. Total sales were 18.4% up on last year, driven by growth in our stand alone retail stores of 18.7%. On a like-for-like store basis, our stand alone store sales were 12.4% up on last year. Despite the department stores being impacted significantly by the difficult trading conditions during the year, we delivered a pleasing 9.8% growth on last year.

Our sales growth was achieved on lower markdowns than in the prior year as we continued our focus on managing the quality and quantity of inventories, and combined with rigid cost control the strong trading performance flowed through to the bottom line with net profit after tax up 60.4% on last year. This enabled us to deliver 60.3% growth in dividends to our shareholders in a market where returns to shareholders have been under much pressure.

Our cash position and quality of our inventories are the strongest they have been at balance date and we remained debt free during the year despite funding our highest ever capital investment program of $22 million and significant growth in returns to shareholders. We opened six new Country Road stores and completed four store expansions, including our flagship Chadstone and Doncaster stores in Victoria. We opened four new concession outlets and continued deploying new fitout concepts in both Myer and David Jones.

In South Africa, the successful trial of Country Road within Woolworths' stores has developed into an important and exciting expansion initiative. Country Road is now offered in 13 Woolworths stores with plans for further expansion.

In February we announced the launch of our new Trenery label. Since then the business has been tireless in preparing for the launch of Trenery in South Africa within 16 Woolworths stores and in five stand alone stores in Australia in early September, with a sixth store opening in November at Chadstone in Victoria. We look forward to reporting to our shareholders about our progress as we enter this very exciting phase for our business.

LOOKING FORWARD

We are determined to increase our customer base in both our brands and reward our valued existing customers by providing even better merchandise at unrivalled value and fashionability without compromising quality.

Our balance sheet and cash reserves are strong and we will continue to invest in our stores but only to the extent that our criteria for acceptable returns on our investments are satisfied. We currently are planning to open four new Country Road stores and expand five existing stores in Australia and we have capacity to undertake further real estate opportunities should they arise. I have mentioned earlier our launch plans for Trenery in six new stores in Australia in the first half of the new financial year and we also have both the Country Road and Trenery brands to expand further in South Africa as a very exciting growth opportunity.

But as we plan for expansion, we remain very conscious that the economic slowdown and tougher retail conditions experienced over the past year may persist well into the new financial year. We are retaining the same focus on controlling costs and managing our inventories going forward as we strive to deliver further growth in returns to our shareholders.

IAN MOIR

CHIEF EXECUTIVE OFFICER

THE ORGANISATION

This year the CR SEE (Country Road Social Ethical & Environmental) Program has developed in the key focus areas as outlined below:

OUR PEOPLE

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

Employee Opinion

The annual Employee Opinion Survey (EOS) indicates that Country Road leads the industry in providing a winning culture for our employees. Overall the EOS results have trended positively over the last four years. The Company improved showing positive increases throughout all categories last year. Country Road continued to perform exceptionally well in the areas of Teamwork & Cooperation, Fairness & Integrity and Customer Focus. Overall, people continue to feel very positive about the relationships they have with their co-workers and feel they are treated with dignity and respect in the workplace. Country Road performed well against external retail benchmark questions that were based on the Mercer 'What's Working' norms.

Career Paths & Development Opportunities

Defining career paths for staff within Country Road is a key focus. 'Number of Internal Appointments' is a key measure captured within the strategic plan and reported on a quarterly basis. Formal succession planning meetings are conducted bi-annually covering store management positions through to executive level. Country Road's new 'Careers' website has a clearly defined career map for both Retail and Head Office environments.

Country Road invests in developing employees. There is a study assistance policy which enables employees to apply for assistance in the form of financial aid and study leave in order to complete formalised study. The Retail Collective Agreement offers study leave to all retail team members.

There are a series of management training programs run throughout the business from a Trainee Manager Program to an Emerging Leaders Program which are run in house through to a Management Development Program and Leadership Development Program offered in association with the Australian Institute of Management.

Competitive Benefits

Every employee working at Country Road participates in a performance based incentive program from store team members, store managers, head office through to the executive team.

Country Road provides a paid Parental Leave scheme of five weeks pay with a further bonus on return to work of three weeks pay with many flexible working options available on return.

Health and Safety

Country Road demonstrates our commitment to providing and maintaining a safe and healthy environment for anyone who associates with us - our staff, customers, contractors, suppliers 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.

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 regardless of attributes which include but are not limited to age, career status, disability, industrial activity, marital status, physical features, political belief or activity, pregnancy, race, religious belief or activity, gender or sexual preference or personal association with someone who has (or is assumed to have) one of these characteristics.

Every employee at Country Road is responsible for preventing Discrimination and Harassment and promoting Equal Employment Opportunity.

Further each year Country Road submits an Equal Opportunity for Women in the Workplace Agency (EOWA) report and in accordance with the guidelines, we report on the following areas:

- Country Road's policies and conditions of service;
- HR statistical information e.g. labour turnover reports;
- Review of the workplace profile; and
- Employee Opinion Survey results.

IN 2008/09, COUNTRY ROAD HAS FURTHER CONTINUED ITS COMMITMENT TO CORPORATE AND SOCIAL RESPONSIBILITY (CSR), CONTINUING THE FOCUS ON FOUR KEY AREAS; ENVIRONMENT, COMMUNITY, ETHICAL TRADING AND OUR PEOPLE. OUR VISION FORMS PART OF THE COMPANY'S STRATEGIC PLAN.

ENVIRONMENT

Packaging

As members of the National Packaging Covenant, Country Road submitted an action plan for 2008-10. Some of the actions completed to date are illustrated below.

Country Road introduced a re-usable bag made from cotton as an alternative to paper packaging. The bag is sold in stores with all profits donated to our community partner Redkite.

To increase consumer awareness of what can be recycled, Homeware and Accessories packaged products now contain the well recognised recycle symbol. Along with this, Country Road has worked with vendors to reduce the requirements for protective packaging where possible and to use environmentally friendly packaging wherever viable.

This year Country Road established a recycling program for plastic hangers. A total of 63,557 plastic hangers were returned to our supplier, of which 42,755 will be reused. The remaining hangers will be melted down and recycled into other products.

All Country Road catalogues and the majority of marketing materials are now printed on Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified scheme (PEFC) approved stock which is a more environmentally friendly paper stock.

Wool Sourcing

Country Road has taken a proactive approach towards sourcing a sustainable supply of non mulesed wool through ongoing consultation with wool industry groups, and relevant industry bodies, including the Australian Wool Innovation (AWI).

Country Road is committed to generating real change in this area and will continue to push for commercial alternatives to the current practices.

Country Road is currently working to source other supply chain options and will introduce these, as they become available. For winter 2010 our key volume program wool yarns for both Country Road and Trenery brands will be moving towards this sourcing strategy. The 20.5 micron lambswool will be from non mulesed wool tops, whilst the 19.5 extra fine merino yarn will be sourced from properties that have ceased the practice of mulesing.

Head Office

The workplace recycling program for both paper and commingled recycling has continued at head office. Further plans to introduce similar programs in our stores are in development.

The head office water tank with a capacity of 39,000 litres has saved 401,000 litres of water this year.

COMMUNITY

Redkite Partnership

In August 2008 Country Road and Redkite, one of Australia's leading children cancer support charities, announced a three year partnership at our head office in Melbourne.

The focus of the partnership is on supporting the Red Bag Program, along with various opportunities for Country Road employees to participate in volunteering and fundraising activities for Redkite.

The Red Bag Program is a special support pack provided to families when a child has been diagnosed with cancer. The Red Bag has been redesigned, and through relationships with current vendors Country Road has been able to obtain cost reductions in relation to the bag and its contents. A Country Road teddy is included in the bag which is well received by the children and families.

"…your Country Road teddy is very popular particularly with one little man, who is currently in transplant and is very attached to the teddy bear he received when he arrived at the hospital. The bear needs to be washed but the child won't let his mother remove the bear from the room. So we are sending a replacement teddy from our sample bag so he can have a clean bear for the isolation rooms and a spare for washing in the coming months. I hope you're all justifiably proud of your design and great work."

Sharnelle Magee, Redkite

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.

Country Road's supply chain team have been instrumental in gaining free storage and delivery of the bag. Country Road employees participate in packing the bags, and this year packed 195 bags ready for distribution.

Along with corporate donations, fundraising activities have been undertaken by Country Road to support Redkite, including offering Christmas gift wrapping for a gold coin donation and a trivia night for head office employees. In total this year Country Road contributed $123,396 to Redkite.

Workplace Giving & Volunteer Leave

In 2008/09 Country Road launched the Community Policy which offers employees volunteer leave and the opportunity to participate in workplace giving. 132 employees participate in workplace giving, comprising one off donations and monthly donations. The one off donations, predominantly for the Victorian Bushfire Appeal raised just over $12,000.

Other Donations

Country Road donated 5,267 units of product to the Australian Red Cross for sale in their retail stores across Australia and New Zealand. This product had a retail value of $306,098.

$50,000 was donated by Country Road to the Victorian Bushfire Appeal Fund, established to support individuals and communities in towns and suburbs affected by the 2009 Victorian bushfires. An Advisory Panel made up of community leaders oversee the Fund's operation and the allocation of funds.

Country Road continues to participate in the DOXA Cadetship Program; a program designed to offer disadvantaged youth an opportunity to work and study in a productive learning environment. Country Road's participation for the current year involved the provision of a complimentary suit for female cadets and a cadetship in the finance department.

ETHICAL TRADING

Country Road source clothing and accessories from countries throughout the world, and have done so for many years. In doing this we have to consider the social and ethical implications of the manufacture of our products. It is important to us that our suppliers behave ethically and responsibly in their manufacturing base, so all our suppliers must be signatories to Country Road's strict Code of Labour Practice, which follows all relevant International Labour Organisation (ILO) conventions. To ensure adherence, we use agencies to carry out auditing independently on our behalf and we have a wide range of corrective actions or sanctions available in the event of an issue being highlighted. This is supported by regular visits to our suppliers by our own staff.

Given that all Country Road vendors are required to be signatories to the Country Road Code of Labour Practice, we have signed codes in our possession which are continuously monitored and updated in the Sourcing department.

This year saw the development of clear audit strategy of vendor base including apparel, accessories and homeware vendors to appropriately and responsibly manage risk.

Also, a partnership has been set up with a third party auditing service to cover any additional auditing of suppliers, to begin in the first half of the 2009/10 financial year.

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 13
1.2	Process for evaluating the performance of senior Executives.	Yes	Page 15
1.3	Information as indicated in the Guide to reporting on Principle 1.	Yes	Page 14
2.1	A majority of the Board should be independent Directors.	No	Page 14
2.2	The Chairperson should be an independent Director.	No	Page 14
2.3	The roles of Chairperson and Chief Executive Officer should be separated.	Yes	Page 14
2.4	The Board should establish a Nomination Committee.	No	Page 13
2.5	Process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 14
2.6	Information as indicated in the Guide to reporting on Principle 2.	Yes	Page 13
3.1	Establish a code of conduct 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 and consideration of legal obligations and stakeholder expectations when representing the Company.	Yes	Page 15
3.2	Disclose the policy concerning trading in Company securities by Directors and Officers.	Yes	Page 14
3.3	Information as indicated in the Guide to reporting on Principle 3.	Yes	Pages 13, 15
4.1	The Board should establish an Audit Committee.	Yes	Page 15
4.2	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 15
4.3	The Audit Committee should have a formal charter.	Yes	Page 15
4.4	Information as indicated in the Guide to reporting on Principle 4.	Yes	Page 14
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 13
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	Information as indicated in the Guide to reporting on Principle 6.	Yes	Website
7.1	The Board or appropriate committee should establish policies on risk oversight and management and disclose a summary of those policies.	Yes	Page 16
7.2	The Board should require management to design, assess, monitor and review the risk management and internal control framework in place to manage the Company's material risks. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks and whether the Board is satisfied that those risks are being managed in accordance with the Company's risk appetite.	Yes	Page 16
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the framework is operating effectively in all material respects.	Yes	Page 15
8.1	The Board should establish a Remuneration Committee.	Yes	Page 15
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	Yes	Page 15

Country Road Limited's corporate governance practices were in place throughout the year. Further information on the Company's Corporate Governance principles and Code of Conduct is available on the Company's website at: www.countryroad.com.au and may be obtained on request from the Company Secretary at 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 day-to-day operation and administration of the Company is delegated by the Board to the Chief Executive Officer Mr Ian Moir and the Executive Management Committee. It is not considered practicable to disclose all such matters reserved to senior Executives and therefore these matters may be implied as all matters other than those matters reserved specifically to the Board and its Committees as identified in this report. 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. In selecting and appointing new Directors and re-electing incumbents, the Board make their own assessment as to whether candidates are sufficiently capable to discharge their duties in the best interests of all shareholders, and seek reference and feedback from key advisors and third parties as and where appropriate.

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 by management 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 continuous disclosure requirements of the ASX are met through Board meetings and periodic confirmation and correspondence with the Company Secretary to whom accountability is conferred and who is authorised to seek professional advice at the Company's expense to extinguish this accountability;
- 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's charter is available in the Corporate Governance section of the Company's website at: www.countryroad.com.au and may be obtained on request from the Company Secretary at admin@countryroad.com.au

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 as all Directors are either Executives of the Company or its major shareholder and ultimate controlling entity, Woolworths Holdings Limited of South Africa.

Given the Company's share register is highly concentrated and securities are sparsely 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:

Non-Executive Directors	Positions	Term
S. Susman	Chairman	8 years, 6 months
N. Thomson		6 years, 4 months
Executive Directors		
I. Moir	Chief Executive Officer	10 years, 8 months
G. Gilzean	Group General Manager - Retail Operations	2 years, 6 months

BOARD & COMMITTEE PERFORMANCE

The Board and its Committees review their performance annually through a set questionnaire that is circulated to members of the Board and each Committee at the August meeting, as well as other key participants in Board and Committee processes such as the Company Secretary and the external auditors. Results of feedback are addressed at the February meeting of the Board and each of its Committees. An evaluation was conducted during the year in accordance with the process described.

The performance of individual Directors is assessed on an ongoing basis by the Chairman. Given the composition of the Board and its Committees, a formal periodic individual assessment is not undertaken.

TRADING POLICY

The following rules apply regarding trading in the Company's securities:

- 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 four weeks after the public announcement of half-year or full year results.

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

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER STATEMENT

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.

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, treasury responsibilities, 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. 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, which does not comply with Recommendation 4.2. Qualifications of Committee members are contained within the Director's Report. 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.

Details on the number of meetings and attendees of each meeting of the Audit Committee is contained in the Director's Report.

The Audit Committee charter is available in the Corporate Governance section of the Company's website at: www.countryroad.com.au and may be obtained on request from the Company Secretary at 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 Executive Management Committee is reviewed regularly with respect to achievement of specific operating performance targets and the extent to which each Executive has demonstrated the Group's defined individual behaviours as set out by the Company's individual performance management framework, and aligned with the financial and non-financial strategic objectives of the Company. Further information of how the performance of Executives is linked to Group operating performance is described in the Remuneration Report within the Directors report which forms part of this Annual Report.

The Remuneration Committee formally evaluated the performance of Executives in each of its two meetings during the year in accordance with the process disclosed both in this report and in the Remuneration Report.

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. There are no independent Directors on the Board or any of its committees. 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.

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

Stephen Binns
Group General Manager
Information Technology

David Thomas
Group General Manager
Supply Chain & Business Development

Jacqui Moore
Group General Manager
Marketing

BUSINESS RISK MANAGEMENT

The Board determines the Company's risk profile and is responsible for overseeing risk management strategies and policies, internal compliance and internal control. The Board approve bi-annually a comprehensive inherent business risk assessment which is embedded as a priority of the Executive Management Committee.

The Company's process of 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.

Areas of focus include but are not limited to specific strategic initiatives, human capital, brand protection and management, business continuity, regulatory and legal compliance and economic impacts. Measures are identified for each risk and are linked back to the corporate and/or functional scorecards that report on the progress against the Company's strategic plan.

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 to promote confidence in the Company's integrity. The Country Road Code of Conduct sets out the principles and standards to be observed to achieve this and to promote awareness of legal obligations and stakeholder expectations when representing the Company. 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 is available in the Corporate Governance section of the Company's website at: www.countryroad.com.au and may be obtained on request from the Company Secretary at admin@countryroad.com.au

FINANCIAL REPORT

Your Directors submit their report for the year ended 30 June 2009.

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 27 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 2009 was $21,888,000 (2008: $14,012,000). 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 announced the payment of a fully-franked final dividend of 8.13 cents per fully paid ordinary share (2008: 5.00 cents per share), which is scheduled to be paid on 30 September 2009. The record date for determining entitlement was 16 September 2009.

The total dividend composition is illustrated below:

Dividends per share	Year Ending 30 June 2009	Year Ending 30 June 2008
Interim dividend (cents per share)	5.19	3.31
Final dividend (cents per share)	8.13	5.00
Total dividend per share (cents per share)	13.32	8.31

Total dividends paid and proposed in respect of 2009 profits total 13.32 cents per share representing 60.3% growth on last year.

Earnings per share	Year Ending 30 June 2009	Year Ending 30 June 2008
Basic earnings per share (cents per share)	22.66	14.13

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 2009, and the number of meetings attended by each Director was:

	Board of Directors		Committees of the Board of Directors			
			Audit		Remuneration	
	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 securities in the Company. The Company does not offer share plans to Executives or employees of the Company. Directors may from time to time be invited by the ultimate controlling entity, Woolworths Holdings Limited of South Africa, to participate in Executive share and option plans involving the securities of Woolworths Holdings Limited. Any securities granted by Woolworths Holdings Limited are tenure-based and do not form part of the remuneration payable by Country Road Limited, and are granted solely at the discretion of Woolworths Holdings Limited.

Mr Moir holds options in shares of Woolworths Holdings Limited under an Executive share option plan of which details are included in the Remuneration Report below and in Note 20 to the financial statements.

Mr Thomson and Mr Susman hold interests in securities of Woolworths Holdings Limited through their participation in various Executive share and option plans in their capacities as Executive Directors of Woolworths Holdings Limited. Details of their interests in the securities of Woolworths Holdings Limited are disclosed in the annual report of Woolworths Holdings Limited.

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 $6,695 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. Share based payments have been recognised and disclosed in accordance with AASB 2 'Share Based Payments'.

For the purposes of this report, the term 'Executive' encompasses all members of the Executive Management Committee. 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 and demanding performance hurdles for 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 annual remuneration of $400,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually in accordance with the Company's Constitution. 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 2009 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. This involves:

- Rewarding Executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Aligning the interests of Executives with those of shareholders;
- Linking reward with the strategic goals and performance of the Company; and
- Ensuring 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 on market levels of remuneration for comparable roles. Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration, comprising the Executive Short-Term Incentive Program (ESTIP) 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 below.

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 where necessary.

Structure

Executives are given the opportunity to receive their fixed remuneration through a combination of cash and fringe benefits such as motor vehicles, 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 an Executive is included in determining the Executive's total remuneration.

Variable Remuneration – Executive Short Term Incentive Program (ESTIP)

Objective

The objective of the ESTIP is to link Executive remuneration to the achievement of the Company's annual operational and financial targets through a combination of both Company and individual performance targets. The total benefits available are set at a level that provides sufficient incentive to Executives to achieve operational targets at a cost to the Company that is considered reasonable and proportionate.

2009 Scheme Structure

ESTIP entitlements are expressed as a percentage of a participant's total remuneration package, and are based on a scale of predetermined and approved profitability targets derived from the Company's Board-approved annual financial budget and long-term strategic plan. The mechanics of the scheme and financial targets are reviewed and approved annually by the Remuneration Committee.

ESTIP entitlements are activated only when minimum company and individual performance targets are satisfied. On activation, entitlements comprise a fixed component for Group financial performance and a variable component 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 the Group's defined behaviours. Entitlements are capped and cannot exceed 100% of a participant's annual fixed contracted remuneration.

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 through aligning this element of remuneration with accretion in long term shareholder wealth. It aims to also support the retention of members of the Executive Management Committee through a market-competitive long-term cash-based scheme in the absence of the ability to implement a meaningful share-based scheme.

Structure – Scheme 1

ELTIS 1 is in place for the period 1 July 2006 (grant date) to 30 June 2010. This scheme was implemented to align remuneration of Executives with aggressive cumulative profit (before tax) growth targets underpinning the 5 year business turnaround strategy commencing at the beginning of the 2006 financial year. The number of units in the available pool was allocated to eligible participants by the Remuneration Committee based on each participant's remuneration share at the date the units were granted. On an annual basis in August, the Remuneration Committee ascertains whether the cumulative profit performance targets have been achieved based on audited final results. At this time all vested unexercised entitlements are valued. Participants must apply in writing to the Remuneration Committee within one month of the release of final audited results on the Australian Stock Exchange before being able to exercise vesting entitlements.

Participants must be employed by the Company at the date of payment for a tranche to vest. On termination a participant is entitled to any un-exercised vested entitlements unless termination is due to serious misconduct.

Entitlements vest under ELTIS 1 in three tranches in years 2, 3 and 4 with the second tranche vesting in relation to this financial year. 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, and are not capped. If minimum cumulative profit targets are satisfied, units are valued based on growth in profit before tax achieved to that time, and are then subject to discounting depending on the extent to which cumulative profit targets have been satisfied. Annual tranche entitlements can be discounted down to 33.3% if minimum qualifying targets are achieved, and are not discounted if maximum qualifying targets have been achieved.

Entitlements vesting under ELTIS 1 have been disclosed in the remuneration tables below in the Long-term Incentive Plans category. The maximum unit entitlement became available for participants based on the cumulative profit performance up to the year ending 30 June 2009. No entitlements were forfeited during the period.

Structure – Scheme 2

ELTIS 2 is based on a rolling three year horizon with the first entitlement due at the end of the 2011 financial year. The scheme is based on growth in profit after tax achieved in year 3 referenced against profit after tax achieved in the base year prior to the scheme period commencing (Year 0). The profit after tax growth rate will be determined by dividing profit after tax in Year 3 by that in Year 0. The growth rate is then applied to the participant's salary as at grant date to determine their entitlement in Year 3. New participants receive an additional 50% in their first entitlement as compensation for not being eligible to participate in schemes in existence in the first two years of their appointment.

Qualifying growth criteria must be met for the scheme to be activated, being CPI plus 2% growth on the previous year compounding each year over the three year horizon. Participants must be employed by the Company at the date of payment for an entitlement to vest. All entitlements are forfeited should a participant's employment terminate prior to the payment date regardless of the reason for termination.

Entitlements under ELTIS 2 first vest at the end of the 2011 financial year and no portion has been recognised in the remuneration tables below in the Long-term Incentive Plans category as management do not believe that potential future entitlements can be reliably measured in the current financial period. No entitlements were forfeited during the current period.

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 six 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 at any time without notice if serious misconduct has occurred; and
- Mr Moir is a participant in the Group's short-term and long-term executive incentive schemes.

Mr Moir is also a participant in the Executive Share Option Plan of the Company's ultimate controlling entity, Woolworths Holdings Limited of South Africa. This Plan provides participants with equity options to purchase ordinary shares in Woolworths Holdings Limited. Participation in the Plan is tenure-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 3.98 rand, at a fair value in Australian dollars of $316,833. 20% of the options vest annually for the first five years after grant date. At the beginning of the period, 284,925 options were held. During the period 85,000 options were exercised at 12.05 rand per share. At the end of the period 199,925 options remain to be exercised with an expiry date of 4 April 2012. During the year the offer price for unexercised entitlements was reduced from 3.98 rand to 2.97 rand due to changes in the capital structure of Woolworths Holdings Limited. The benefit has been fully amortised prior to the commencement of this year and therefore no adjustments to fair value have been made.

Executive Management Committee

The 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 three and six 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 at any time without notice if serious misconduct has occurred; and
- Participation in the Group's long term and short term executive incentive schemes.

Group General Manager - Merchandise

The Group General Manager of Merchandise, Mr Derek Muirhead, is a member of the Executive Management Committee employed under a standard employment contract as detailed above. In addition, Mr Muirhead is also a participant in the Woolworths Holdings Limited Executive Share Option Plan, which is tenure-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 14.11 rand and at a fair value in Australian dollars of $267,066. 20% of the options vest annually for the first five 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. During the year the offer price for unexercised entitlements was reduced from 14.11 rand to 12.16 rand due to changes in the capital structure of Woolworths Holdings Limited. No change to fair value originally calculated has been made as the impact of this change is not considered material.

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 four full financial years is presented below. 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:

	2009	2008	2007	2006	2005
Reported basic earnings per share (cents per share)	22.66	14.13	24.59	4.67	4.26
Normalised basic earnings per share (cents per share)	22.66	14.13	9.27	4.67	4.26

Compensation of Key Management Personnel

Directors		Short-Term			Post Employment	Long-Term		Share-Based Payments (ii)	Total	
		Salary & Fees	Cash Bonus	Non Monetary Benefits (i)	Super-annuation	Incentive Plans	Long Service leave			% Performance Related
Ian Moir Executive Director & Chief Executive Officer	**2009**	**490,224**	**438,600**	**131,961**	**50,000**	**1,975,090**	**35,283**	**–**	**3,121,158**	**77%**
	2008	401,218	277,750	115,057	50,000	639,131	8,517	–	1,491,673	59%
Simon Susman Non-Executive Director & Chairman	**2009**	**30,000**	**–**	**2,897**	**–**	**–**	**–**	**–**	**32,897**	**0%**
	2008	30,000	–	6,141	–	–	–	–	36,141	0%
Norman Thomson Non-Executive Director	**2009**	**30,000**	**–**	**5,370**	**–**	**–**	**–**	**–**	**35,370**	**0%**
	2008	30,000	–	5,839	–	–	–	–	35,839	0%
Glenn Gilzean Executive Director & GGM Retail Operations	**2009**	**228,041**	**169,523**	**57,161**	**25,000**	**613,549**	**15,158**	**–**	**1,108,432**	**71%**
	2008	210,462	95,413	30,552	50,000	294,862	3,986	–	685,275	57%
Total Remuneration	**2009**	**778,265**	**608,123**	**197,389**	**75,000**	**2,588,639**	**50,441**	**–**	**4,297,857**	**74%**
	2008	671,680	373,163	157,589	100,000	933,993	12,503	–	2,248,928	57%

(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 124 'Related Party Disclosures'.

Compensation of Key Management Personnel (continued)

Executives		Short-Term			Post Employment	Long-Term		Share-Based Payments (ii)	Total	
		Salary & Fees	Cash Bonus	Non Monetary Benefits (i)	Super-annuation	Incentive Plans	Long Service leave			% Performance Related
Sophie Holt										
GGM Product Design	**2009**	**355,634**	**264,541**	**30,579**	**31,977**	**1,351,096**	**–**	**–**	**2,033,827**	**79%**
& Development	2008	315,720	156,461	40,034	50,000	437,210	–	–	999,425	59%
Derek Muirhead	**2009**	**310,071**	**200,073**	**37,032**	**27,906**	**1,275,899**	**–**	**50,925**	**1,901,906**	**78%**
GGM Merchandise	2008	293,765	237,539	40,050	50,000	414,199	–	50,925	1,086,478	51%
Jacqui Moore (1)	**2009**	**124,493**	**65,674**	**5,545**	**17,115**	**–**	**–**	**–**	**212,827**	**31%**
GGM Marketing	2008	–	–	–	–	–	–	–	–	–
Matt Keogh										
GGM Human	**2009**	**198,235**	**129,141**	**19,134**	**25,000**	**639,993**	**–**	**–**	**1,011,503**	**76%**
Resources	2008	175,947	78,165	19,521	48,563	189,999	–	–	512,195	52%
Oliver Kysela	**2009**	**176,481**	**109,783**	**12,181**	**25,000**	**424,765**	**8,195**	**–**	**756,405**	**71%**
Chief Financial Officer	2008	153,578	66,055	14,338	42,472	189,999	19,794	–	486,236	53%
Stephen Binns										
GGM Information	**2009**	**153,064**	**92,587**	**10,598**	**22,108**	**–**	**6,790**	**–**	**285,147**	**32%**
Technology	2008	141,257	60,917	17,874	23,080	–	2,545	–	245,673	25%
David Thomas (2)										
GGM Supply Chain &	**2009**	**169,363**	**225,673**	**24,358**	**25,000**	**150,000**	**24,956**	**–**	**619,350**	**61%**
Business Development	2008	91,946	62,385	14,385	14,023	–	–	–	182,739	34%
Total Remuneration	**2009**	**1,487,341**	**1,087,472**	**139,427**	**174,106**	**3,841,753**	**39,941**	**50,925**	**6,820,965**	**72%**
	2008	1,172,213	661,522	146,202	228,138	1,231,407	22,339	50,925	3,512,746	54%

(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 124 'Related Party Disclosures'.

(1) Appointed 10 November 2008

(2) 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 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

SIMON SUSMAN
Director
Chairman

26 August 2009
Melbourne, Victoria

IAN MOIR
Director
Chief Executive Officer

ERNST & YOUNG

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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 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
26 August 2009

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 2009 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 2009.
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

26 August 2009
Melbourne, Victoria

IAN MOIR
Director
Chief Executive Officer

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
	Note	$000's	$000's	$000's	$000's
Revenue	2(a)	347,547	293,198	12,019	8,451
Cost of sales	2(b)	(145,275)	(119,655)	–	–
Gross profit		202,272	173,543	12,019	8,451
Employment expenses		(84,207)	(69,048)	–	–
Occupancy expenses		(60,480)	(56,186)	–	–
Depreciation expenses	2(c)	(8,507)	(8,226)	–	–
Marketing expenses		(10,709)	(10,430)	–	–
Other expenses		(16,363)	(15,487)	(218)	(290)
		(180,266)	(159,377)	(218)	(290)
Profit before finance expenses and income tax expense		22,006	14,166	11,801	8,161
Finance expenses	2(d)	(118)	(154)	–	–
Profit before income tax expense		21,888	14,012	11,801	8,161
Income tax (expense) or benefit	3(a)	(6,239)	(4,253)	65	84
Net profit for the period		15,649	9,759	11,866	8,245
Basic earnings per share (cents per share)	1(t)	22.66	14.13		
Diluted earnings per share (cents per share)	1(t)	22.66	14.13		

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
	Note	$000's	$000's	$000's	$000's
CURRENT ASSETS					
Cash and cash equivalents	4	25,804	21,791	8	6
Trade and other receivables	5	3,371	3,849	5,500	–
Inventories	6	38,758	28,553	–	–
Prepayments		1,383	1,018	–	–
Derivative financial instruments	25(h)	824	9	–	–
Total current assets		70,140	55,220	5,508	6
NON-CURRENT ASSETS					
Receivables	7	35	39	–	–
Plant and equipment	8	47,163	33,224	–	–
Intangible assets	9	11,277	11,189	–	–
Deferred tax assets (net)	3(c)	12,868	8,728	–	–
Prepayments		185	112	–	–
Other financial assets	10	–	–	82,661	78,817
Total non-current assets		71,528	53,292	82,661	78,817
Total assets		141,668	108,512	88,169	78,823
CURRENT LIABILITIES					
Trade and other payables	11	29,458	19,424	22	29
Current tax liabilities		8,412	3,917	8,271	3,747
Provisions	12	15,709	7,931	–	–
Derivative financial instruments	25(h)	9,663	3,337	–	–
Total current liabilities		63,242	34,609	8,293	3,776
NON-CURRENT LIABILITIES					
Provisions	13	3,445	3,914	–	–
Total non-current liabilities		3,445	3,914	–	–
Total liabilities		66,687	38,523	8,293	3,776
Net assets		74,981	69,989	79,876	75,047
EQUITY					
Contributed equity	14	74,087	74,087	74,087	74,087
Reserves	15	(6,874)	(3,254)	–	–
Retained profits (losses)	15	7,768	(844)	5,789	960
Total equity		74,981	69,989	79,876	75,047

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
	Note	$000's	$000's	$000's	$000's
Total equity at beginning of period		69,989	69,003	75,047	74,087
Net changes in the fair value recognition of cash flow hedges (net of tax)	15	(3,767)	(779)	–	–
Net exchange differences on translation of foreign operations (net of tax)	15	147	(709)	–	–
Net income (expense) recognised directly in equity		(3,620)	(1,488)	–	–
Net profit for the period		15,649	9,759	11,866	8,245
Total recognised income (expense) for the period		12,029	8,271	11,866	8,245
Dividends paid	14	(7,037)	(7,285)	(7,037)	(7,285)
Total equity at end of period		74,981	69,989	79,876	75,047

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
	Note	$000's	$000's	$000's	$000's
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		380,234	319,469	–	–
Payments to suppliers and employees		(346,380)	(300,227)	–	–
Interest received		606	516	2	5
Retail services fee revenue from related party		1,218	–	–	–
Other revenue		382	845	–	–
Interest and other costs of finance paid		(118)	(154)	–	–
Rental income		1,089	1,376	–	–
Income taxes and withholding taxes paid		(4,198)	(163)	(1)	(2)
Net cash flows from (used in) operating activities	23	32,833	21,662	1	3
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from the sale of plant and equipment		247	–	–	–
Payments for the acquisition of plant and equipment		(22,043)	(11,764)	–	–
Net cash flows from (used in) investing activities		(21,796)	(11,764)	–	–
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loan by controlled entity		–	–	7,038	7,285
Dividend payments		(7,037)	(7,282)	(7,037)	(7,282)
Net cash flows from (used in) financing activities		(7,037)	(7,282)	1	3
Net increase in cash and cash equivalents		4,000	2,616	2	6
Cash and cash equivalents at beginning of period		21,791	19,250	6	–
Exchange rate effect on opening balance		13	(75)	–	–
Cash and cash equivalents at end of period	4	25,804	21,791	8	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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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 2009.

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 by applying 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. The results of the New Zealand subsidiary are translated into Australian Dollars as at the date of each transaction.

Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in 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, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 historical cost less accumulated depreciation and any accumulated impairment losses. 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 - 7 to 10 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 are 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 are 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 to 45 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;
- Retail services fee revenue - from the time the right to receive consideration for the provision of services has been attained; 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 2009, 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 Groups' financial statements. However, the standard may result in changes to the segment reporting disclosures included in the Group's financial report.
Amendment	AASB 101 Presentation of Financial Statements (revised)	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 Group's financial report.
Amendment	AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2009	1 July 2009	Amendments to various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have any impacts on the Group's financial report.
Amendment	AASB 2008-8 Amendments to Australian Accounting Standard - Eligible Hedged Items	1 July 2009	1 July 2009	Clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments are not expected to have any impact on the Group's financial report.
Amendment	AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	1 January 2009	1 July 2009	Requires fair value hedges to be disclosed by the source of inputs using a three-level hierarchy. The amendments are not expected to have any measurement implications for Group but may result in changes to the financial instrument disclosures included in the Group's financial report.

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
		$000's	$000's	$000's	$000's
2	**REVENUES AND EXPENSES**				
(a)	**Revenue**				
	Sales revenue				
	Sale of goods	343,078	289,703	–	–
	Royalties	1,072	758	–	–
		344,150	290,461	–	–
	Other revenue				
	Tender forfeits	336	351	–	–
	Rent revenue	1,089	1,376	–	–
	Interest revenue	606	516	6,519	8,451
	Proceeds from legal settlement	–	320	–	–
	Retail services fee revenue from related party	1,218	–	–	–
	Dividend income from controlled entities	–	–	5,500	–
	Net profit on disposal of plant and equipment	102	–	–	–
	Other	46	174	–	–
		347,547	293,198	12,019	8,451
(b)	**Cost of sales**				
	Costs of inventories recognised as an expense	145,320	119,492	–	–
	Adjustments to net realisable value of inventories	(45)	163	–	–
		145,275	119,655	–	–
(c)	**Depreciation and other expenses**				
	Depreciation of plant & equipment	8,507	8,226	–	–
	Operating lease expenses				
	Minimum rental payments	51,834	49,062	–	–
	Contingent rentals	1,187	554	–	–
		53,021	49,616	–	–
	Defined contribution superannuation expense	6,953	5,701	–	–
	Net loss on disposal of plant and equipment	–	72	–	–
(d)	**Finance expenses**				
	Interest paid to banks and other financial institutions	28	73	–	–
	Facility fees	90	81	–	–
		118	154	–	–

	Consolidated		Country Road Ltd	
	2009	2008	2009	2008
	$000's	$000's	$000's	$000's
3 INCOME TAX EXPENSE				
(a) Income tax expense				
Current tax	(8,722)	(4,026)	65	84
Deferred tax	2,483	(227)	–	–
Income tax (expense) or benefit	(6,239)	(4,253)	65	84
Deferred income tax revenue (expense) included in income tax expense comprises:				
(Decrease) increase in deferred tax assets	2,699	(161)	–	–
Decrease (increase) in deferred tax liabilities	(216)	(66)	–	–
	2,483	(227)	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	21,888	14,012	11,801	8,161
Prima facie tax thereon at 30% (2008: 30%)	(6,566)	(4,204)	(3,540)	(2,448)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Non-allowable expenses	(79)	57	–	–
Non-assessable income	22	–	–	–
Effect of different rates of tax on overseas taxable income	–	27	–	–
Research & development deduction	89	–	–	–
Investment allowance	328	–	–	–
Adjustment to prior period provision	(26)	(23)	–	–
Other	(7)	(110)	–	–
Transfer of net tax to consolidated group	–	–	3,605	2,532
Income tax (expense) or benefit	(6,239)	(4,253)	65	84
(c) Deferred tax assets				
The balance comprises temporary differences attributable to:				
Depreciation	3,878	3,565	–	–
Employee benefits	4,640	1,287	–	–
Lease incentives	79	111	–	–
Lease liabilities	1,018	1,170	–	–
Inventories	1,218	1,103	–	–
Cash flow hedges	2,652	1,001	–	–
Other	287	1,181	–	–
	13,772	9,418	–	–
Movements:				
Opening balance at beginning of period	9,418	9,307	–	–
Credited (charged) to the income statement	2,699	(161)	–	–
Credited (charged) directly to equity	1,651	337	–	–
Adjustment to prior period provision	4	(65)	–	–
	13,772	9,418	–	–
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Lay-by sales	67	114	–	–
Prepayments	256	208	–	–
Intangible assets	–	180	–	–
Lease assets	13	19	–	–
Research & development	388	–	–	–
Other	180	169	–	–
	904	690	–	–
Movements:				
Opening balance at beginning of perios	690	626	–	–
(Credited) charged to the income statement	216	66	–	–
Adjustment to prior period provision	(2)	(2)	–	–
	904	690	–	–

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
3 INCOME TAX EXPENSE (continued)				
(d) Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax assets (liabilities) have not been recognised, tax-effected at 30% (2008: 30%)				
Foreign currency translation	(32)	297	–	–
Undistributed earnings	(626)	(446)	–	–
	(658)	(149)	–	–

A deferred tax asset has not been recognised in respect of temporary differences arising from 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.

Country Road Clothing (NZ) Ltd has undistributed earnings of $4,174,421 (2008: $2,974,907) 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.

(e) Tax consolidation legislation

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 entity.

Funding is based on amounts recognised in the financial statements of wholly-owned subsidiaries in the tax consolidated group.

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
4 CASH AND CASH EQUIVALENTS				
Cash at bank and in transit	654	710	8	6
Cash on hand	109	101	–	–
Short term deposits	25,041	20,980	–	–
	25,804	21,791	8	6

Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 4.23% (2008: 6.75%) per annum. Short term deposits are at call and earn interest at 4.83% (2008: 7.15%) per annum.

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
		$000's	$000's	$000's	$000's
5	**TRADE AND OTHER RECEIVABLES (CURRENT)**				
	Trade receivables	2,585	2,409	–	–
	Related party receivables				
	Trade receivables	68	1,032	–	–
	Other receivables	644	318	–	–
	Dividend receivables	–	–	5,500	–
		712	1,350	5,500	–
	Other receivables	74	90	–	–
		3,371	3,849	5,500	–
	Allowance for impairment loss				
	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	2,653	2,831	–	–
	Past due 0 - 30 days	–	354	–	–
	Past due 31 - 90 days	–	256	–	–
		2,653	3,441	–	–
	Related party receivables				
	For terms and conditions of related party receivables refer to Note 19.				
6	**INVENTORIES**				
	Total inventories at the lower of cost and net realisable value				
	Finished goods	38,758	28,553	–	–
		38,758	28,553	–	–
7	**RECEIVABLES (NON-CURRENT)**				
	Other receivables	35	39	–	–
		35	39	–	–
8	**PLANT AND EQUIPMENT**				
	Leasehold improvements				
	At cost	27,428	21,779	–	–
	Accumulated depreciation	(13,893)	(11,601)	–	–
		13,535	10,178	–	–
	Fixtures, fittings and equipment				
	At cost	83,874	72,705	–	–
	Accumulated depreciation	(56,895)	(53,633)	–	–
		26,979	19,072	–	–
	Capital works in progress	6,649	3,974	–	–
		47,163	33,224	–	–
	Reconciliations				
	Leasehold improvements				
	Carrying amount at the beginning of the year	10,178	7,661	–	–
	Foreign currency translation impact on opening balance	20	(123)	–	–
	Additions during the year	6,070	5,047	–	–
	Disposals during the year	2	(207)	–	–
	Depreciation expense	(2,735)	(2,200)	–	–
	Carrying amount at the end of the year	13,535	10,178	–	–
	Fixtures, fittings and equipment				
	Carrying amount at the beginning of the year	19,072	19,910	–	–
	Foreign currency translation impact on opening balance	27	(162)	–	–
	Additions during the year	13,830	6,132	–	–
	Disposals during the year	(178)	(782)	–	–
	Depreciation expense	(5,772)	(6,026)	–	–
	Carrying amount at the end of the year	26,979	19,072	–	–
	Capital works in progress				
	Carrying amount at the beginning of the year	3,974	2,554	–	–
	Foreign currency translation impact on opening balance	165	(14)	–	–
	Additions during the year	21,815	12,613	–	–
	Transfers to other categories	(19,305)	(11,179)	–	–
	Carrying amount at the end of the year	6,649	3,974	–	–

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
9 INTANGIBLE ASSETS				
Trade names				
At cost	11,277	11,189	–	–
	11,277	11,189	–	–
Reconciliations				
Trade names				
Carrying amount at the beginning of the year	11,189	11,189	–	–
Additions during the year	88	–	–	–
	11,277	11,189	–	–

Description of the Group's intangible assets

Trade names acquired by the Group are carried at 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 each reporting date, 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.

Impairment tests for intangibles with indefinite useful lives

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:

- royalty percentage applied - based on a conservative view of franchise industry rates, the royalty percentage used is 2.5% (2008: 2.5%);
- discount rates - the pre-tax discount rate applied to the cash flow projection is 18.8% (2008: 17.6%); and
- growth rates used to extrapolate cash flows - the growth rate used to extrapolate cash flows from royalties, based on Access Economics five year average sales growth forecasts for the clothing and soft good sector is 2.4% (2008: 5.2%).

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.

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
10 OTHER FINANCIAL ASSETS (NON-CURRENT)				
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	–	–	113,646	109,802
Allowance for doubtful debts	–	–	(42,331)	(42,331)
	–	–	71,315	67,471
	–	–	82,661	78,817
11 TRADE AND OTHER PAYABLES (CURRENT)				
Trade payables	21,294	11,160	–	–
Other payables	8,164	8,264	22	29
	29,458	19,424	22	29
12 PROVISIONS (CURRENT)				
Lease incentives	109	179	–	–
Leases expensed on straight line basis	588	575	–	–
Employee benefits	15,012	7,177	–	–
	15,709	7,931	–	–

Movements: Refer to Note 13.

	Consolidated		Country Road Ltd	
	2009	2008	2009	2008
	$000's	$000's	$000's	$000's
13 PROVISIONS (NON-CURRENT)				
Lease incentives	155	265	–	–
Leases expensed on straight line basis	2,805	3,289	–	–
Employee benefits	485	360	–	–
	3,445	3,914	–	–

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 Group. 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:

	Lease Incentives	**Leases expensed on a straight-line basis**	**Total**
Consolidated	$000's	$000's	$000's
Balance at beginning of financial year	444	3,864	4,308
Provision used during the period	(182)	(479)	(661)
Foreign currency adjustment on opening balance	2	8	10
Balance at end of financial year	264	3,393	3,657
Non-current	155	2,805	2,960
Current	109	588	697
	264	3,393	3,657

The Company had no outstanding provisions at reporting date.

	Note	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
14 CONTRIBUTED EQUITY, DIVIDENDS AND EARNINGS PER SHARE					
Ordinary shares		74,087	74,087	74,087	74,087
		74,087	74,087	74,087	74,087
Ordinary shares					
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.					
Movements					
Ordinary shares					
Balance at beginning of financial year		74,087	80,907	74,087	80,907
Share capital reduction	15	–	(6,820)	–	(6,820)
Balance at end of financial year		74,087	74,087	74,087	74,087
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.					
Dividends paid					
Dividends on ordinary shares:					
Final franked dividend for 2008 at 5.00 cents per share		3,453	5,000	3,453	5,000
Interim franked dividend for 2009 at 5.19 cents per share		3,584	2,285	3,584	2,285
		7,037	7,285	7,037	7,285
Dividends not recognised at year end					
Since year end the Directors have determined the payment of a final dividend of 8.13 cents per fully paid ordinary share, (2008: 5.00 cents) fully franked based on tax paid at 30%. The aggregate amount of the dividend scheduled to be paid on 30 September 2009 out of profits earned in respect of the financial year ending 30 June 2009, but not recognised as a liability at year end, is		5,614	3,453	5,614	3,453
Franked dividends					
Franking credits available for future reporting periods based on a tax rate of 30%		10,955	10,233	10,955	10,233
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 $2,406,000 (2008: $1,480,000).					
Basic earnings per share					
Profit attributable to the equity holders of the company (cents per share)		22.66	14.13		
Profit attributable to the equity holders of the company used in calculating basic earnings per share		15,649	9,759		
Weighted average number of shares used in calculating earnings per share (not rounded)		69,056,822	69,056,822		
Diluted earnings per share					
No adjustments for dilutive securities are required.					

		Consolidated		Country Road Ltd	
		2009	2008	2009	2008
		$000's	$000's	$000's	$000's
15	**RETAINED PROFITS (LOSSES) AND RESERVES**				
	Retained profits (losses)	7,768	(844)	5,789	960
	Reserves				
	Exchange differences on translation of foreign operations	(780)	(927)	–	–
	Hedging reserve - cash flow hedges	(6,094)	(2,327)	–	–
		(6,874)	(3,254)	–	–
	Movements:				
	Retained profits (losses)				
	Balance at beginning of financial year	(844)	(10,138)	960	(6,820)
	Share capital reduction	–	6,820	–	6,820
	Dividends paid	(7,037)	(7,285)	(7,037)	(7,285)
	Net profit for the year	15,649	9,759	11,866	8,245
	Balance at end of financial year	7,768	(844)	5,789	960
	Exchange differences on translation of foreign operations				
	Balance at beginning of financial year	(927)	(218)	–	–
	Exchange differences on translation of foreign operations during period	147	(709)	–	–
	Balance at end of financial year	(780)	(927)	–	–
	Hedging reserve - cash flow hedges				
	Balance at beginning of financial year	(2,327)	(1,548)	–	–
	Revaluation - gross	(5,418)	(1,116)	–	–
	Deferred tax	1,651	337	–	–
	Balance at end of financial year	(6,094)	(2,327)	–	–

Nature and purpose of reserves

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.

16 COMMITMENTS

Capital commitments

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 systems.

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
Commitments contracted for at reporting date but not recognised as liabilities are:				
Within one year	2,780	1,834	–	–
	2,780	1,834	–	–

Operating lease commitments - Group as lessee

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.

	Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
Commitments contracted for at reporting date but not recognised as liabilities are:				
not later than one year	56,010	50,838	–	–
later than one year but not later than five years	163,844	103,182	–	–
later than five years	31,247	10,398	–	–
	251,101	164,418	–	–

		Consolidated 2009 $000's	Consolidated 2008 $000's	Country Road Ltd 2009 $000's	Country Road Ltd 2008 $000's
16 COMMITMENTS (continued)					
Operating lease commitments - Group as lessor					
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		326	760	–	–
later than one year but not later than five years		501	842	–	–
		827	1,602	–	–
17 REMUNERATION OF AUDITORS					
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		$200,000	$175,000	$20,000	$17,500
		$200,000	$175,000	$20,000	$17,500
18 FINANCING ARRANGEMENTS					
The Group had access to the following financing arrangements:					
External financial institutions:					
Cash advance facility	(i)	12,000	12,000	–	–
Trade finance facility	(i)	5,000	5,000	–	–
Bank overdraft	(i)	500	500	–	–
Total facilities available		17,500	17,500	–	–
Total undrawn facilities		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 unsecured basis.

19 RELATED PARTY DISCLOSURES

	Place of incorporation	Note	Total Equity Interest 2009 %	Total Equity Interest 2008 %	Investment 2009 $000's	Investment 2008 $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.

The financial information of these entities is as follows:

	2009 $000's	2008 $000's
(i) Income Statement		
Profit before income tax expense	20,434	13,283
Income tax expense	(5,782)	(4,068)
Net profit for the period	14,652	9,215
Retained profits at beginning of period	18,613	9,863
Dividends provided for or paid	(7,037)	(7,285)
Share capital reduction	–	6,820
Retained profits at end of period	26,228	18,613
(ii) Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	24,567	21,114
Trade and other receivables	3,338	3,817
Inventories	36,453	26,701
Other assets	2,158	995
Total current assets	66,516	52,627
NON-CURRENT ASSETS		
Receivables	35	–
Investments	479	479
Plant and equipment	44,461	30,785
Intangible assets	11,277	11,189
Other	13,556	9,174
Total non-current assets	69,808	51,627
Total assets	136,324	104,254
CURRENT LIABILITIES		
Trade and other payables	31,361	28,983
Provisions	23,882	7,573
Other	9,663	–
Total current liabilities	64,906	36,556
NON-CURRENT LIABILITIES		
Other payables	183	151
Provisions	4,075	4,272
Total non-current liabilities	4,258	4,423
Total liabilities	69,164	40,979
Net assets	67,160	63,275
EQUITY		
Contributed equity	40,932	44,662
Retained profits	26,228	18,613
Total equity	67,160	63,275

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 $6,414,831 to Country Road Clothing Pty Ltd (2008: $8,317,562) and $101,803 to Country Road International Pty Ltd (2008: $128,414).

(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 normal commercial terms and conditions.

(d) During the year a dividend of $5,500,000 (2008: Nil) was declared by Country Road Clothing Pty Ltd to Country Road Limited. The dividend is payable on 30 September 2009.

(e) Current tax payable assumed by Country Road Limited from wholly owned tax consolidated entities for the year was $8,270,610 (2008: $3,747,330). The terms and conditions of the tax funding agreement are set out in Note 3(e).

Other related party transactions

(a) During the year the Group sold inventory to Woolworths Pty Ltd, a wholly-owned subsidiary of Woolworths Holdings Limited, totalling $7,970,177 (2008: $2,046,152). At 30 June 2009 the balance receivable from Woolworths Pty Ltd was $711,988 (2008: $1,350,160). Transactions are on an arm's length basis on normal commercial terms.

(b) During the year the Group charged retail services fees to Woolworths Pty Ltd on normal commerical terms and conditions. Amounts charged during the year totalled $1,218,193 (2008: Nil).

(c) Dividends were paid to Woolworths International (Australia) Pty Ltd during the year of $6,184,146 (2008: $6,402,625) from the parent entity on the same terms and conditions that applied to other shareholders.

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)
- Stephen Binns (GGM Information Technology)
- David Thomas (GGM Business Development & Supply Chain)
- Jacqui Moore (GGM Marketing - appointed 10 November 2008)

	Consolidated		Country Road Ltd	
Compensation of Key Management Personnel	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	$4,298,017	$3,182,369	$68,267	$71,980
Post-employment benefits	$249,106	$328,138	–	–
Other long term benefits	$6,520,773	$2,200,242	–	–
Share-based payments	$50,925	$50,925	–	–
	$11,118,821	$5,761,674	$68,267	$71,980

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. During the period 85,000 options were exercised at R12.05 per share. At the end of the period 199,925 options remain to be exercised 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 its 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

2009

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

2008

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	
	2009	2008	2009	2008
Reconciliation of operating profit after income tax to net cash flows from operating activities	$000's	$000's	$000's	$000's
Operating profit after income tax	15,649	9,759	11,866	8,245
Add non-cash items				
Depreciation	8,507	8,226	–	–
Market valuation of inflation swap instruments	20	–	–	–
Lease incentive amortisation	(180)	(196)	–	–
Adjustments to net realisable value of inventories	45	(163)	–	–
Disposal of plant and equipment	(102)	72	–	–
Capital works in progress accruals	(586)	288	–	–
Net foreign currency translation (gains)/losses	134	(84)	–	–
Straight line lease amortisaton	(456)	(656)	–	–
Changes in:				
Trade and other receivables	478	(830)	(5,500)	–
Inventories	(10,250)	1,005	–	–
Other financial assets	–	–	(10,882)	(12,038)
Other assets	(1,269)	271	–	25
Deferred tax assets	(4,140)	(47)	–	–
Trade and other payables	10,620	(3,612)	(7)	26
Provision for income tax	4,495	3,823	4,524	3,745
Provision for employee benefits	7,960	3,729	–	–
Other provisions	(651)	(269)	–	–
Other liabilities	6,326	1,125	–	–
Hedging reserve	(3,767)	(779)	–	–
Net cash flows from (used in) operating activities	32,833	21,662	1	3

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		
	2009 Australia $000's	2009 New Zealand $000's	2009 Total $000's	2008 Australia $000's	2008 New Zealand $000's	2008 Total $000's
Revenue						
Sales to external customers	315,626	27,452	343,078	264,010	25,693	289,703
Inter-segment sales	11,585	–	11,585	10,514	–	10,514
Other revenues	3,802	61	3,863	2,921	58	2,979
Total segment revenue	331,013	27,513	358,526	277,445	25,751	303,196
Inter-segment elimination			(11,585)			(10,514)
Non-segment revenues						
Interest revenue			606			516
Total consolidated revenue			347,547			293,198
Result						
Segment result	20,856	1,368	22,224	13,696	760	14,456
Unallocated expenses			(218)			(290)
Profit before tax and finance expenses			22,006			14,166
Finance expenses			(118)			(154)
Profit before tax			21,888			14,012
Income tax expense			(6,239)			(4,253)
Net profit for the year			15,649			9,759
Assets and liabilities						
Segment assets	122,661	6,906	129,567	91,784	5,530	97,314
Unallocated assets			12,101			11,198
Total assets			141,668			108,512
Segment liabilities	55,569	1,455	57,024	33,801	1,385	35,186
Unallocated liabilities			9,663			3,337
Total liabilities			66,687			38,523
Other segment information						
Capital expenditure	21,114	929	22,043	10,671	1,093	11,764
Depreciation and amortisation	7,814	693	8,507	7,606	620	8,226
Significant non-cash (profit) or loss items other than depreciation and amortisation	(102)	–	(102)	72	–	72

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			
	Retail Stand-alone Stores $000's	Retail Department Stores $000's	International Business $000's	Total $000's
2009				
Revenue				
Sales to external customers	255,661	79,447	7,970	343,078
Retail services fee revenue	–	–	1,218	1,218
Tender forfeits	336	–	–	336
Segment revenue	255,997	79,447	9,188	344,632
Other segment information				
Segment assets	46,207	11,495	2,362	60,064
Unallocated assets				81,604
Total assets				141,668
Capital expenditure	14,886	1,061	–	15,947
2008				
Revenue				
Sales to external customers	215,347	72,350	2,006	289,703
Retail services fee revenue	–	–	–	–
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

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.

The Company has specific exposure to the risk of changes in market interest rates on its loans to controlled entities. This does not present a risk to the Group as related party loans are eliminated in full on consolidation.

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	
	2009	2008	2009	2008
	$000's	$000's	$000's	$000's
Financial assets				
Cash and cash equivalents	25,804	21,791	8	6
Loans to controlled entities	–	–	71,315	67,471
Net exposure	25,804	21,791	71,323	67,477

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:

	Consolidated		Country Road Ltd	
	Post Tax Profit Higher/(Lower) $000's	Equity Higher/(Lower) $000's	Post Tax Profit Higher/(Lower) $000's	Equity Higher/(Lower) $000's
2009				
+0.50% (50 basis points)	42	–	472	–
+0.25% (25 basis points)	21	–	236	–
-0.25% (25 basis points)	(21)	–	(236)	–
-0.50% (50 basis points)	(42)	–	(472)	–
2008				
+0.50% (50 basis points)	22	–	344	–
-1.00% (100 basis points)	(44)	–	(688)	–

The movements in profit is due to higher/lower net interest income earned throughout the year as a result of a higher/lower average interest rate.

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 as at 30 June 2009, excluding inventories, based on management's expectation. Derivative financial instruments are based on gross contractual values.

Consolidated	Total $000's	< 3 mths $000's	3 - 12 mths $000's	1 - 5 yrs $000's	> 5 yrs $000's
Financial assets					
Cash and cash equivalents	25,804	25,804	–	–	–
Trade and other receivables	3,406	3,371	–	35	–
	29,210	29,175	–	35	–
Financial liabilities					
Trade and other payables	29,458	23,267	6,181	10	–
Derivative financial instruments - outflows	127,475	32,123	95,352	–	–
Derivative financial instruments - inflows	(118,641)	(29,645)	(88,996)	–	–
	38,292	25,745	12,537	10	–

Country Road Limited	Total $000's	< 3 mths $000's	3 - 12 mths $000's	1 - 5 yrs $000's	> 5 yrs $000's
Financial assets					
Cash and cash equivalents	8	8	–	–	–
Trade and other receivables	5,500	5,500	–	–	–
Shares in controlled entities	11,346	–	–	–	11,346
Loans to controlled entities	71,315	–	–	–	71,315
	88,169	5,508	–	–	82,661
Financial liabilities					
Trade and other payables	8,293	22	8,271	–	–
	8,293	22	8,271	–	–

At reporting date, the Group has $17,500,000 (2008: $17,500,000) of unused credit facilities available for its immediate use.

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(h) 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(h) for details of foreign currency derivatives.

25 FINANCIAL INSTRUMENTS (continued)

(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 50% of highly probable forecast inventory commitments using predominantly forward currency contracts, and at least 80% of known orders. 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 95% of its highly probable forecast USD purchases, and 74% of its highly probable forecast EUR purchases extending to 8 June 2010.

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.

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

	Consolidated		Country Road Ltd	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
Financial liabilities				
Trade payables - USD	8,907	5,304	–	–
Trade payables - EUR	273	88	–	–
Net exposure	9,180	5,392	–	–

The Group has no exposure to the income statement from foreign currency payables at reporting date as all outstanding commitments were fully hedged by forward exchange contracts.

The Group also has, as outlined in part (h) 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:

	Consolidated	
	Post Tax Profit Higher/(Lower) $000's	Equity Higher/(Lower) $000's
2009		
AUD/USD +2.5%	–	(1,865)
AUD/EUR +2.5%	–	(17)
AUD/USD -5.0%	–	4,463
AUD/EUR -5.0%	–	32
2008		
AUD/USD +5%	–	(3,746)
AUD/EUR +5%	–	(62)
AUD/USD -10%	–	8,738
AUD/EUR -10%	–	142

The Company had no foreign currency exposure at reporting date.

25 FINANCIAL INSTRUMENTS (continued)

(e) Credit risk

The Group takes steps to ensure it trades only with recognised, creditworthy third parties and as such collateral is not requested.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. 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.

At reporting date, the credit quality of the receivables balance of the Group is assessed and monitored as follows:

	Consolidated		Country Road Ltd	
	2009 $000's	2008 $000's	2009 $000's	2008 $000's
New customers	–	1,350	–	–
No default customers	3,406	2,538	5,500	–
Net exposure	3,406	3,888	5,500	–

(f) Inflation risk

Inflation risk arises from the effect that movements in Australia's inflation rate, as per the Headline Consumer Price Index (CPI) as published by the Reserve Bank of Australia, can have on the profitability of the Group. The objective of the Group is to, where possible, minimise the impact variations of inflation will have on variable expenditure that is linked to inflation.

From time to time, hedging products may be become available to limit the Group's exposure to inflation risk. It is the Group's policy to manage inflation risk by considering entering into inflation rate swap contracts, in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable inflation rate amounts calculated by reference to an agreed upon notional principal amount.

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

	Consolidated	
	Post Tax Profit Higher/(Lower) $000's	Equity Higher/(Lower) $000's
2009		
If CPI was 2.5%	338	–
If CPI was 2.0%	103	–
If CPI was 1.5%	(131)	–

The Company had no inflation risk exposure at reporting date.

(g) 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(h) below.

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

25 FINANCIAL INSTRUMENTS (continued)

(h) Derivative financial instruments

	Consolidated		Country Road Ltd	
	2009	2008	2009	2008
	$000's	$000's	$000's	$000's
Current assets				
Forward currency contracts - cash flow hedges	824	9	–	–
	824	9	–	–
Current Liabilities				
Forward currency contracts - cash flow hedges	9,643	3,337	–	–
Inflation swap contracts	20	–	–	–
	9,663	3,337	–	–

Forward currency contracts - 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 with any unrealised revaluation gain or loss recognised directly in equity. The cash flows are expected to occur between 1-12 months from 1 July 2009 with realised gains or losses recognised in cost of sales when 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
2009			
Aggregate foreign currency value of contracts	92,893	872	
Weighted average foreign exchange rate	0.7380	0.5416	
Aggregate value of contracts in Australian dollars	125,866	1,610	
Fair value at reporting date	117,102	1,555	
Net gain/(loss) on revaluation taken to reserves	(8,764)	(55)	(8,819)
Net gain/(loss) on revaluation taken to the income statement	–	–	–
Total gain/(loss) on revaluation	(8,764)	(55)	(8,819)
2008			
Aggregate foreign currency value of contracts	75,014	772	
Weighted average foreign exchange rate	0.9151	0.6050	
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)

Inflation swap contracts
The Group has operating lease commitments which are structured with annual increases referenced to the Australian inflation rate. In order to protect against rising inflation, the Group has entered into inflation swap contracts under which it has a right to receive a variable rate payment and will pay at a fixed rate.

Swaps in place cover approximately 76% of lease contracts with annual increases referenced to the inflation rate. The fixed inflation rate is 1.78%. The swaps are measured at fair value and all gains or losses attributable to the hedged risk are taken directly to the income statement. In the year ended 30 June 2009, a loss of $20,031 (2008: Nil) was recognised in the income statement.

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Independent auditor's report to the 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 2009, 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.

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 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 and International Standards on Auditing. 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 at 30 June 2009 and of its 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 in pages 20 to 24 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Country Road Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
26 August 2009

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	156	50,312
1,001 – 5,000	31	63,978
5,001 – 10,000	4	26,523
10,001 – 100,000	2	53,937
>100,000	2	68,862,072
Total ordinary shares	195	69,056,822
Holding less than a marketable parcel:	61	4,419

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 Cameron Rafter	6,602	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 Juan Carlos Fuentes	2,500	<0.01
16	Mr John Armit	2,300	<0.01
17	Mr Mark Tomlinson	2,247	<0.01
18	Mrs Mary Rosa Wilson	2,241	<0.01
19	Mr Brad Cumming <Emily & Georgie Cumming A/C>	2,222	<0.01
20	Gilmour Investments (Vic) Pty Ltd <M Gilmour Super Fund>	2,200	<0.01
		68,978,131	99.89

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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.

SHARE REGISTRY

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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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