THE YEAR IN REVIEW

2009/2010

ANNUAL REPORT

COUNTRY ROAD

COUNTRY ROAD
Autumn/Winter 2010

2009/2010

THE YEAR IN REVIEW

COUNTRY ROAD
Spring/Summer 2009

Autumn/Winter 2010
COUNTRY ROAD KIDS
Christmas 2009

TRENERY

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CHAIRMAN'S REPORT

SIMON SUSMAN

This has been a tough year for retail in Australasia. Country Road has continued to implement its strategy for growth, expanding both product ranges and its retail footprint. Sales grew by 8.5% which, whilst ahead of the market, was supported by aggressive price action.

During the year we successfully launched the new Trenery brand. In South Africa we opened sixteen Trenery concessions within Woolworths' stores and two standalone retail stores, and in Australia: six retail standalone stores. The launch of this brand presents Country Road with an exciting opportunity to service a segment of the market which we believe is currently under-serviced.

The costs associated with this start-up, combined with heavy discounting to drive sales and clear stock, have negatively impacted profits. Against the prior year, profit before tax was down 20.2% to $17.5 million.

Expenses, accordingly, were tightly managed throughout the year as management continued to focus on cost control and inventory management. These measures have ensured that our balance sheet remains strong.

The strong cash position of our business from 2008/09 allowed us to significantly invest over the last twelve months in retail expansion with the opening of five new Country Road stores across Australia and New Zealand as well as the new stores in South Africa.

For the year ahead too, we will continue to seek out appropriate opportunities to increase the trading space for Country Road.

The Directors are pleased to announce a fully franked dividend of 8.81 cents per fully paid ordinary share for the year.

This year we also saw a significant change in the stewardship at Country Road. We bade farewell to Ian Moir as CEO at the end of 2009.

On behalf of the Board of Directors and Country Road I would like to thank Ian for his significant contribution and tireless work as CEO over the past nine years. We are delighted Ian will remain involved with Country Road in his new capacity as a Non-Executive Director of the company. We also thank Glenn Gilzean for the caretaking role of Acting CEO he undertook during the interim period of January to June, 2010.

In the past year we also welcomed Sophie Holt to the Board of Country Road. Sophie, the Creative Director of the business, has played a major role in the turnaround of Country Road's fortunes over the past six years and will bring much experience to the board.

We expect trading conditions in the current year to remain challenging, certainly in the first half. The Australian economy, though remains resilient and consumer confidence should begin to improve through the second half. The business remains well positioned to take advantage of this.

SIMON SUSMAN
CHAIRMAN

REVIEW OF OPERATIONS

IAN MOIR

YEAR IN REVIEW

It was a challenging year in the Australian retail environment. As we passed the anniversary of the 2008/09 government stimulus packages and faced six interest rate increases, discretionary consumer spending declined. This created a highly competitive retail market which was largely driven by aggressive discounting across the sector. Despite the tough trading environment, Country Road continued to expand delivering a solid year of sales growth.

Total sales for the year increased 8.5% to $372.1 million on the prior year. Total revenue for the year was up 9.7% to $381 million. This result was driven by sales growth in our retail stores of 8.7%. On a like-for-like store basis, we achieved 1.5% growth in sales.

Importantly this year saw the successful launch of our Trenery brand, in South Africa on August 19 and in Australia on September 3. At the end of the financial year Trenery was trading in six stores in Australia and a further 18 stores in South Africa. This new brand has expanded the Country Road brand values and proposition to a new customer base and initial sales results have been encouraging.

Over the past year, we have also continued to grow our Country Road brand in South Africa with the launch of a further two concession stores, together with two new combined Country Road and Trenery stand alone stores. At present, Country Road operates in 16 stores across South Africa.

Closer to home, we have opened five new Country Road stores across Australia and New Zealand and invested in the refurbishment and expansion of a further five key stores. These projects combined with the opening of Trenery stores saw us spend in excess of $20 million on capital investments in the year and has positioned the retail store network well for future growth.

The initial set up costs of our Trenery brand, combined with the challenging discount led market conditions of the retail sector have significantly impacted our margins and, as such, our profit before tax was down on the prior year by 20.2% to $17.5 million.

YEAR AHEAD

We remain committed to increasing our customer base in both brands and will continue to reward our valued customers by providing them with expanded ranges of improved merchandise at better prices, sold in an attractive shopping environment.

We will continue to focus on opportunities for the rollout of Trenery and the ongoing expansion of Country Road. Whilst we are excited about these expansion plans for both brands, we are mindful of the persisting difficult conditions in the retail sector and will be prudent in our working capital management. We plan to open a further four Country Road and three Trenery stores within the coming year.

Since the end of the financial year we have opened three new Trenery stores and one further Country Road store. Our online store, www.countryroad.com.au launched at the end of August 2010 and initial results are encouraging. We are excited to embark on this e-commerce journey and are pleased to provide our customers with the opportunity to purchase Country Road and Trenery merchandise from anywhere in Australia and New Zealand.

Initiatives implemented over the last year for controlling costs and effectively managing inventories will continue to be a key business focus, with new cost saving strategies implemented to maximise returns to our shareholders.

IAN MOIR
FORMER CHIEF EXECUTIVE OFFICER & DIRECTOR

CORPORATE & SOCIAL RESPONSIBILITY PROGRESS REPORT

The following section details Country Road's approach to key sustainability performance areas and the progress made in each area over the past 12 months.

1. OUR PEOPLE

Country Road remains committed to attracting and retaining an inspired, committed and high performing workforce, whilst providing a healthy and safe working environment. "Success through People" forms the basis of the Company Strategic Plan and performance against "People" measures are assessed quarterly by the Executive Committee.

Employee Opinion

In order to understand and better address employees' priorities, an annual employee opinion survey (EOS) is undertaken and selected questions are benchmarked against the industry. The 2009 EOS results were very positive and performed well against external benchmarks. We continued to perform exceptionally well in the areas of Teamwork & Cooperation, Fairness & Integrity and Customer Focus.

Career Paths & Development Opportunities

Defining career paths for staff within Country Road is a key focus for development. The 'Number of Internal Management 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 'Careers' website has a clearly defined career map for both Retail and Head Office environments. Country Road continues to invest 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 an Emerging Leaders Program which is run in house through to a Management Development Program and Leadership Development Program offered in association with the Australian Institute of Management. During the year, 15 employees were selected to participate in the Management Development Program and 12 were selected to join the Leadership Development Program.

Fair and Flexible Work Options

Country Road supports flexibility and diversity and has a number of policies and processes in place to support this culture. This year the Company received a Special Commendation at the Victorian Government Fair and Flexible Employer Awards, for having an innovative approach to fair and flexible work practices.

Health & Safety

Country Road demonstrates commitment to providing and maintaining a safe and healthy environment for anyone who associates with the business including staff, customers, contractors, suppliers and visitors. Compliance with legal requirements is regarded as an absolute minimum standard, and the 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 the last two years, 86% of the Country Road workforce were women with strong female representation in management groups. This year Sophie Holt was appointed to the Country Road Limited Board of Directors.

2. THE COMMUNITY

Country Road is committed to supporting the communities in which it operates. The Company has a Community Policy in place, which offers employees volunteering leave and the opportunity to participate in workplace giving. In addition, the Company provides a significant annual corporate social investment, which is comparable to industry counterparts and guided by employees' community priorities. Community measures and targets have been integrated into the Company Strategic Plan and results are reviewed by the Executive Committee and communicated to the business quarterly.

Redkite

In 2008, Country Road entered into a 3-year partnership with Redkite, one of Australia's leading childhood cancer support charities. As the Major Partner of the Redbag, Country Road will provide $246,000 over three years to fund the Redbag Program, which provides special support packs to families at diagnosis. Further funds are provided to Redkite from employee and customer fundraising, the latter consisting of profits from the sale of Country Road reusable cotton bags and gold coin donations from customers who have their Christmas presents wrapped in store.

Total donations to Redkite this year increased by 6.8% to $131,845. 17,759 reusable cotton bags were sold in stores (a 107% increase on last year), of which profits were donated to Redkite.

Red Cross – Fashion Trade

Country Road and Red Cross launched Fashion Trade in July 2010, a clothing donation program that aims to raise money for the community and reduce landfill, by encouraging customers to recycle their pre-loved clothing and accessories and be rewarded for both their social conscience and their passion for fashion. Customers donate clothing or accessories (that include at least one pre-loved Country Road or Trenery item) to Red Cross retail stores, and receive a $10 discount card that they can redeem when they spend over $50 at Country Road stores.

The Partnership will also offer a range of volunteering, mentoring and fundraising opportunities for Country Road employees, through Red Cross retail stores and other community programs, including disaster relief, school nutrition initiatives as well as youth, and in Australia, Aboriginal and Torres Strait Islander programs.

Further, the Partnership is Country Road's first community partnership in New Zealand, so employee and customer fundraising activities in New Zealand, including profits from cotton bag sales and gold coin donations, will be donated to New Zealand Red Cross.

MySchool – South Africa

MySchool is one of South Africa's most successful community support programs, focused on improving education and social development, by raising and delivering essential funding to schools and charities. All Country Road and Trenery standalone and concession stores in South Africa participate in the MySchool program, allowing customers to use their MySchool supporter cards whenever they make a purchase. A percentage of each purchase is donated to the customers' chosen school or charity. Since the launch of Country Road's first South African stand alone store in December 2009, the Company has contributed R41,284 (A$6,152) to schools and charities in South Africa.

Other Donations

Throughout the year, $129,187 worth of Country Road product (at cost value) was donated to Red Cross for sale in their retail stores, an additional $10,000 was donated to Red Cross in January 2010 to support the Haiti Earthquake Appeal and the Company continued to participate in the DOXA Cadetship Program, providing suits for 14 female cadets and a cadetship in the finance department.

3. THE ENVIRONMENT

Country Road is committed to understanding, managing and, where possible, reducing the environmental impacts of our operations. This enables the Company to address the expectations of our customers and employees, maintaining trust in our brand and protecting shareholders interests, by responding proactively to a changing regulatory environment.

Packaging & Waste

In 2008, Country Road became a Signatory to the Australian Packaging Covenant (APC), a national initiative between Government and the Packaging Supply Chain, and submitted a two-year Action Plan, which included 18 actions aimed at improving the Company's packaging and waste management. All actions were completed by the end of the year as outlined in our 2009/10 APC report.

Energy and carbon

A second carbon audit was completed for Country Road during the year, showing positive progress against the Company's 2008 baseline results. Opportunities to further improve the Company's energy efficiency and reduce direct carbon emissions have been identified and will be explored further in the 2011 financial year.

Procurement

Wool Sourcing: Country Road has taken a proactive approach towards sourcing a sustainable supply of non-mulesed wool, by engaging in ongoing consultation with wool industry groups and relevant industry bodies. Country Road is committed to generating real change in this area, by encouraging the adoption of commercial alternatives to current industry practices. The Company aims to work with the industry to feasibly and incrementally increase the proportion of Country Road wool products that come from non mulesed sources.

Office Procurement: Country Road's IT and Retail Operations divisions have implemented processes over the past two years, which have improved the energy efficiency of the Company's IT equipment and increased the percentage of sustainability certified office products the Company purchases, including paper and stationary. For example, this year the Company increased 50% recycled paper from 21% to 50% of total office paper use. This resulted in a reduction of 2.3 tonnes of virgin paper.

Water

Water tanks with a capacity of 39,000 litres were installed at Country Road head office in 2008. To date, approximately 1,000,000 litres of water have been captured and used to service the building.

4. ETHICAL TRADE

Country Road sources clothing and accessories from various countries. In doing this we have to consider the social and ethical implications of the manufacture of Country Road products. All suppliers must be signatory to the Company's Code of Labour Practice, which follows all relevant International Labour Organisation (ILO) conventions.

Further to this, the Company has developed an Environmental Code of Practice (ECoP) for the Dyeing, Printing and Finishing of Goods supplied to Country Road, which aims to ensure that within existing technology, no materials, dyes or chemicals used in the production of garments, fabrics, leather and/or textile related products present an unacceptable risk to health or the environment during their manufacture, use or disposal. Primary product vendors will be required to be signatory to the ECoP and will be responsible for ensuring that both their own facilities and those of their third party suppliers are adhering to the ECoP.

Country Road also launched a Sustainable Packaging Policy and Guide in March 2010, which aims to integrate sustainable principles into packaging design. The Policy and Guide have been communicated to primary product vendors and Country Road aims to work with vendors to identify and adopt more sustainable packaging options for our products where feasible.

The Board of Directors of Country Road Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Country Road Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The table below summarises the Company's compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's Recommendations.

Recommendation		Comply Yes/No	Reference/ Explanation
1.1	Companies should establish and disclose the functions reserved to the Board and those delegated to senior executives.	Yes	Page 11
1.2	Process for evaluating the performance of senior executives.	Yes	Page 13
2.1	A majority of the Board should be independent Directors.	No	Page 12
2.2	The Chairperson should be an independent Director.	No	Page 12
2.3	The roles of the Chairperson and Chief Executive Officer should be separated.	Yes	Page 12
2.4	The Board should establish a Nomination Committee.	No	Page 11
2.5	Process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 12
2.6	Information as indicated in the Guide to reporting on Principle 2.	Yes	Page 11
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 14
3.2	Disclose the Policy concerning trading in Company securities by Directors and Officers.	Yes	Page 12
3.3	Information as indicated in the Guide to reporting on Principle 3.	Yes	Page 11
4.1	The Board should establish an Audit Committee.	Yes	Page 13
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 13
4.3	The Audit Committee should have a formal charter.	Yes	Page 13
4.4	Information as indicated in the Guide to reporting on Principle 4.	Yes	Page 12
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior management level for that compliance.	Yes	Page 11
5.2	Information as indicated in the Guide to reporting on Principle 5.	Yes	Page 11
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at the Annual General meeting (AGM).	Yes	Website / AGM
6.2	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 14
7.2	The Board should require management to design, access, 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 14
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 13
7.4	Information as indicated in the Guide to reporting on Principle 7.	Yes	Page 13, 14
8.1	The Board should establish a remuneration committee.	Yes	Page 13
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	Yes	Page 13
8.3	Information as indicated in the Guide to reporting on Principle 8.	Yes	Page 13

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 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 John Cheston 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:

- Thorough risk management process;
- Approval of the strategic plan designed to meet stakeholders' needs and the Company's strategic goals and objectives;
- Ongoing development of the strategic plan and approving initiatives and strategies to ensure 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 and Chief Financial Officer, including succession planning;
- Ensuring that 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;
- Ensuring that policies and processes are implemented which are designed to ensure that the Company conducts itself in an ethical manner having regard to principles of good corporate governance;
- 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, which was revised and approved by shareholders in October 2006, 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 Simon Susman's position as Chief Executive Officer of the Company's major shareholders, 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	9 years,	6 months
N. Thomson		7 years,	4 months
I. Moir		11 years,	8 months
Executive Directors			
J. Cheston	Chief Executive Officer		2 months
G. Gilzean	Group General Manager - Retail Operations	3 years,	6 months
S. Holt	Creative Director		8 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.

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 approving accounting policies used by the Company in the preparation of the Company's financial reports. The Audit Committee is also responsible for the annual appointment of the external auditor. The roles of lead audit partner and review audit partner are rotated every five years. 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 of the Board.

The members of the Audit Committee during the year were Mr Norman Thomson (Chairman of the Audit Committee), Mr Ian Moir 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 are contained in the Director's Report.

The Audit Committee charter is available in the Corporate Governance section at the Company's website at: www.countryroad.com.au and may be obtained at 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), Mr Ian Moir and Mr Simon Susman. Qualifications of Committee members are contained within the Directors' 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. 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:

John Cheston
Chief Executive Officer & Executive Director

David Thomas
Chief Financial Officer & Company Secretary

Glenn Gilzean
Group General Manager Retail Operations & Executive Director

Sophie Holt
Creative Director & Executive Director

Derek Muirhead
Group General Manager Merchandise

Matt Keogh
Group General Manager Human Resources

Jacinta McCarthy
Acting Group General Manager Human Resources

Stephen Binns
Group General Manager Information Technology

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 reported by the Executive Management Committee to the Board 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 REPORTS

2009/2010

Your Directors submit their report for the year ended 30 June 2010.

DIRECTORS

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

John Cheston
(Executive Director & Chief Executive Officer)

Mr Cheston was appointed to the role of Chief Executive Officer and to the Board on 1 July 2010. He was previously Chief Executive Officer at Robinsons and Co Ltd (Singapore), a position he held for 5 years. John started his retail career at Marks & Spencer PLC and held numerous management positions both in London and Hong Kong including a 3 year tenure as Managing Director of the Marks & Spencer subsidiary business.

Simon Susman
(Non-Executive Director)

Mr Susman was appointed to the Board on 6 December 2000. He is currently the Chief Executive Officer and an Executive Director of Woolworths Holdings Limited (listed 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 28 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 6 December 2000. 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.

Ian Moir
(Non-Executive Director)

Mr Moir was appointed to the Board on 23 October 1998. He is currently the Managing Director of Retail, an Executive Director and CEO elect of Woolworths Holding Limited (listed on the Johannesburg Stock Exchange). He was formerly the Chief Executive Officer of the Company. Prior to working for the Company, he was 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.

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.

Sophie Holt
(Executive Director & Creative Director)

Ms Holt was appointed to the Board on 29 December 2009. She is currently Creative Director and has been with Country Road since 2003. Prior to joining the company, Sophie held the position of Head of Design at Witchery.

COMPANY SECRETARY

David Thomas

Mr Thomas was appointed as Company Secretary on 24 July 2009. He joined the Company in 2002 and held various executive roles before being appointed as Chief Financial Officer and Company Secretary in July 2009. He holds a Bachelor of Commerce, CPA, Masters Degree of Business, Masters Degree of Marketing and an Executive Certificate in Retailing.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW, AND LIKELY DEVELOPMENTS

The consolidated operating profit before tax for the financial year ended 30 June 2010 was $17,459,000 (2009: $21,888,000). A review of operations and likely developments is included in the Review of Operations and in the Chairman's Report.

DIVIDEND AND EARNINGS PER SHARE (EPS)

Since year end the Directors announced the payment of a fully-franked final dividend of 3.62 cents per fully paid ordinary share (2009: 8.13 cents per share), which is scheduled to be paid on 29 September 2010. The record date for determining entitlement is 15 September 2010.

The total dividend composition is illustrated below:

Dividends per share	Year Ending 30 June 2010	Year Ending 30 June 2009
Interim dividend (cents per share)	5.19	5.19
Final dividend (cents per share)	3.62	8.13
Total dividend per share (cents per share)	8.81	13.32

Total dividends paid and proposed in respect of 2010 profits total 8.81 cents per share representing a decline on last year of 33.9%.

Earnings per share	Year Ending 30 June 2010	Year Ending 30 June 2009
Basic earnings per share (cents per share)	17.86	22.66

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.

MEETING 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 2010, 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*
John Cheston	1	1	–	–	–	–
Ian Moir	3	3	1	1	1	1
Norman Thomson	3	3	2	2	2	2
Simon Susman	3	3	2	2	2	2
Sophie Holt	2	3	–	–	–	–
Glenn Gilzean	3	3	–	–	–	–

* 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

Ms Sophie Holt holds 1,500 shares in the Company. Mr David Thomas holds 1,000 shares 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 Thomson, Mr Moir and Mr Susman hold interests in securities of Woolworths Holdings Limited through their participation in various Executive share and options 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. During the year the Company paid insurance premiums of $9,526 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 AASB2 '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 2010 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 interest 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 (ETIP) 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 costs 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.

2010 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.

ESTIP entitlements were not activated in 2010 as minimum company hurdles were not achieved.

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 I was in place for the period of 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 was entitled to any un-exercised vested entitlements unless termination is due to serious misconduct.

Entitlements vested under ELTIS I in three tranches in years 2, 3 and 4 with the final tranche vesting in relation to this financial year. Minimum and maximum amounts payable under the scheme were entirely contingent upon future profitability against defined cumulative profit performance benchmarks over the life of the scheme, and were not capped. If minimum cumulative profit targets were satisfied, units were valued based on growth in profit before tax achieved to that time, and were then subject to discounting depending on the extent to which cumulative profit targets were satisfied. Annual tranche entitlements could be discounted down to 33.3% if minimum qualifying targets were achieved, and were not discounted if maximum qualifying targets were achieved.

Entitlements vesting under ELTIS I have been disclosed in the remuneration tables below in the Long-term Incentive Plans category.

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 received 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 resign from their position prior to the payment date.

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 John Cheston, is employed under a standard employment contract with no defined length of tenure. Under the terms of the contract:

- Mr Cheston may resign from his position by providing the Company with 12 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 Cheston's remuneration;
- The Company may terminate at any time without notice if serious misconduct has occurred; and
- Mr Cheston is a participant in the Group's short-term and long-term executive incentive schemes.

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 three 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 the exercise price of 14.11 rand and at a fair value in Australian dollars of $267,066. On 12 December 2008, there as a reduction in the exercise price on the remaining options to 12.16 rand. 20% of the options vest annually for the first five years after grant date. At the beginning of the period, 264,025 options were held. During the period, 211,220 options were exercised at 23.90 rand per share. At the end of the period, 52,805 options remain to be exercised with an expiry date of 2016.

Matt Keogh - Group General Manager Human Resources

The Group General Manager of Human Resources, Mr Matt Keogh, is a member of the Executive Management Committee employed under a standard employment contract as detailed above and during the year was seconded to Woolworths Holdings Limited on a short-term contract. Under this agreement, Mr Keogh is a participant in the Woolworths Holdings Limited Restricted Share Award Scheme. The shares granted under this scheme do not form part of the remuneration payable by Country Road Limited. On 19 May 2010, Mr Keogh was allotted 373,667 Restricted Shares in Woolworths Holdings Limited at a share price of 22.76 rand, at a fair value in Australian dollars of $1,312,984. The Restricted Shares have a vesting period of 3 years, during which time the shares may not be disposed of or otherwise encumbered. The value of these shares is included in the remuneration table below which forms part of the Directors' Report.

Group Performance

The relation 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:

	2010	2009	2008	2007	2006
Reported basic earnings per share (cents per share)	17.86	22.66	14.13	24.59	4.67
Normalised basic earnings per share (cents per share)	17.86	22.66	14.13	9.27	4.67

Compensation of Directors

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 (1)	**2010**	**385,870**	**–**	**61,126**	**25,000**	**275,627**	**(3,886)**	**–**	**743,737**	**37%**
Non Executive Director	2009	490,224	438,600	131,961	50,000	1,975,090	35,283	–	3,121,158	77%
Simon Susman										
Non-Executive Director	**2010**	**91,875**	**–**	**2,138**	**–**	**–**	**–**	**–**	**94,013**	**0%**
& Chairman	2009	30,000	–	2,897	–	–	–	–	32,897	0%
Norman Thomson	**2010**	**39,166**	**–**	**5,000**	**–**	**–**	**–**	**–**	**44,166**	**0%**
Non-Executive Director	2009	30,000	–	5,370	–	–	–	–	35,370	0%
Glenn Gilzean (2)										
Executive Director &	**2010**	**324,424**	**–**	**52,284**	**22,898**	**237,579**	**34,788**	**–**	**671,973**	**35%**
Acting CEO	2009	228,041	169,523	57,161	25,000	613,549	15,158	–	1,108,432	71%
Sophie Holt (3)	**2010**	**450,091**	**–**	**40,824**	**23,889**	**(200,580)**	**64,286**	**–**	**378,510**	**(53%)**
Creative Director	2009	355,634	264,541	30,579	31,977	1,351,096	–	–	2,033,827	79%
Total Remuneration	**2010**	**1,291,426**	**–**	**161,372**	**71,787**	**312,626**	**95,188**	**–**	**1,932,399**	**16%**
	2009	1,133,899	872,664	227,968	106,977	3,939,735	50,441	–	6,331,684	76%

(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) Resigned as Chief Executive Officer 31 December 2009

(2) Appointed Acting Chief Executive Officer 1 January 2010 to 30 June 2010

(3) Appointed 1 January 2010

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
Derek Muirhead	**2010**	**344,116**	**–**	**37,183**	**30,971**	**328,956**	**–**	**50,925**	**792,151**	**42%**
GGM Merchandise	2009	310,071	200,073	37,032	27,906	1,275,899	–	50,925	1,901,906	78%
Jacqui Moore (1)	**2010**	**199,716**	**–**	**13,085**	**23,885**	**–**	**–**	**–**	**236,686**	**0%**
GGM Marketing	2009	124,493	65,674	5,545	17,115	–	–	–	212,827	31%
Matt Keogh GGM Human	**2010**	**218,214**	**–**	**23,838**	**19,639**	**164,478**	**–**	**50,361**	**476,530**	**35%**
Resources	2009	198,235	129,141	19,134	25,000	639,993	–	–	1,011,503	76%
Oliver Kysela (2)	**2010**	**132,514**	**–**	**2,092**	**14,894**	**–**	**648**	**–**	**150,148**	**0%**
Chief Financial Officer	2009	176,481	109,783	12,181	25,000	424,765	8,195	–	756,405	71%
Stephen Binns GGM Information	**2010**	**168,810**	**–**	**13,137**	**23,526**	**–**	**6,726**	**–**	**212,199**	**0%**
Technology	2009	153,064	92,587	10,598	22,108	–	6,790	–	285,147	32%
David Thomas	**2010**	**216,541**	**–**	**31,403**	**14,461**	**–**	**12,413**	**–**	**274,818**	**0%**
Chief Financial Officer	2009	169,363	225,673	24,358	25,000	150,000	24,956	–	619,350	61%
Jacinta McCarthy (3) Acting GGM	**2010**	**30,581**	**–**	**13,085**	**2,752**	**–**	**–**	**–**	**46,418**	**0%**
Human Resources	2009	–	–	–	–	–	–	–	–	0%
Total Remuneration	**2010**	**1,310,492**	**–**	**133,823**	**130,128**	**493,434**	**19,787**	**101,286**	**2,188,950**	**23%**
	2009	1,131,707	822,931	108,848	142,129	2,490,657	39,941	50,925	4,787,138	69%

(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 or the Woolworths Restricted Share Award Scheme. The value of the options or shares 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) Resigned 9 October 2009

(3) Appointed 3 May 2010

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. During the year, Ernst & Young performed certain other services in addition to their statutory duties, as disclosed in Note 17 in the financial report.

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
25 August 2010
Melbourne, Victoria

JOHN CHESTON
Director
Chief Executive Officer

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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 2010 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
25 August 2010

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 2010 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 2010.

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

25 August 2010
Melbourne, Victoria

JOHN CHESTON
Director
Chief Executive Officer

		Consolidated	
		2010	2009
	Note	$000's	$000's
Revenue	2(a)	381,219	347,547
Cost of sales	2(b)	(164,789)	(145,275)
Gross profit		216,430	202,272
Employment expenses		(85,755)	(84,207)
Occupancy expenses		(70,603)	(60,480)
Depreciation expenses	2(c)	(11,247)	(8,507)
Marketing expenses		(13,535)	(10,709)
Other expenses		(17,234)	(16,363)
		(198,374)	(180,266)
Profit before finance expenses and income tax expense		18,056	22,006
Finance expenses	2(d)	(597)	(118)
Profit before income tax expense		17,459	21,888
Income tax (expense) or benefit	3(a)	(5,128)	(6,239)
Net profit for the period		12,331	15,649
Basic earnings per share (cents per share)	1(t)	17.86	22.66
Diluted earnings per share (cents per share)	1(t)	17.86	22.66

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		Consolidated	
		2010	2009
	Note	$000's	$000's
CURRENT ASSETS			
Cash and cash equivalents	4	2,466	25,804
Trade and other receivables	5	7,438	3,371
Inventories	6	39,113	38,758
Income tax receivables		941	–
Prepayments		1,063	1,383
Derivative financial instruments	25(h)	2,294	824
Total current assets		53,315	70,140
NON-CURRENT ASSETS			
Receivables	7	15	35
Plant and equipment	8	56,072	47,163
Intangible assets	9	11,293	11,277
Deferred tax assets (net)	3(c)	8,189	12,868
Prepayments		310	185
Total non-current assets		75,879	71,528
Total assets		129,194	141,668
CURRENT LIABILITIES			
Trade and other payables	10	27,743	29,458
Interest-bearing loans and borrowings	11	3,000	–
Current tax liabilities		–	8,412
Provisions	12	7,569	15,709
Derivative financial instruments	25(h)	1,911	9,663
Total current liabilities		40,223	63,242
NON-CURRENT LIABILITIES			
Provisions	13	4,179	3,445
Total non-current liabilities		4,179	3,445
Total liabilities		44,402	66,687
Net assets		84,792	74,981
EQUITY			
Contributed equity	14	74,087	74,087
Reserves	15	(196)	(6,874)
Retained profits	15	10,901	7,768
Total equity		84,792	74,981

		Consolidated	
		2010	2009
	Note	$000's	$000's
Net profit for the period		12,331	15,649
Other comprehensive income			
Foreign currency translation differences for foreign operations	15	13	147
Effective portion of changes in fair value of cash flow hedges	15	6,665	(3,767)
Other comprehensive income for the period, net of income tax		6,678	(3,620)
Total comprehensive income for the period		19,009	12,029

	Ordinary Shares $000's	Hedge Reserve $000's	FCTR $000's	Retained Earnings $000's	Total $000's
At 1 July 2009	74,087	(6,094)	(780)	7,768	74,981
Profit for the period	–	–	–	12,331	12,331
Other comprehensive income	–	6,665	13	–	6,678
Total comprehensive income for the period	–	6,665	13	12,331	19,009
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(9,198)	(9,198)
At 30 June 2010	74,087	571	(767)	10,901	84,792
At 1 July 2008	74,087	(2,327)	(927)	(844)	69,989
Profit for the period	–	–	–	15,649	15,649
Other comprehensive income	–	(3,767)	147	–	(3,620)
Total comprehensive income for the period	–	(3,767)	147	15,649	12,029
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(7,037)	(7,037)
At 30 June 2009	74,087	(6,094)	(780)	7,768	74,981

	Note	Consolidated 2010 $000's	Consolidated 2009 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		410,933	380,234
Payments to suppliers and employees		(400,939)	(346,380)
Interest received		195	606
Retail services fee revenue from related party		–	1,218
Retail licence fee revenue from related party		2,903	–
Other revenue		718	382
Interest and other costs of finance paid		(597)	(118)
Rental income		622	1,089
Income taxes and withholding taxes paid		(12,589)	(4,198)
Net cash flows from operating activities	23	1,246	32,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		8	247
Payments for the acquisition of plant and equipment		(18,396)	(22,043)
Net cash flows used in investing activities		(18,388)	(21,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan by controlled entity		3,000	–
Dividend payments		(9,197)	(7,037)
Net cash flows used in financing activities		(6,197)	(7,037)
Net increase (decrease) in cash and cash equivalents		(23,339)	4,000
Cash and cash equivalents at beginning of period		25,804	21,791
Exchange rate effect on opening balance		1	13
Cash and cash equivalents at end of period	4	2,466	25,804

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.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and 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 2010. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. 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) Operating segments

An operating segment is a component of an entity that engages in businesses activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision maker, being the Chief Executive Officer.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products sold;
- nature of the production processes;
- type or class of customer for the products;
- methods used to distribute the products; and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category "other segments".

(e) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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(j) for policy on assessing impairment of plant & equipment.

(j) 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.

(k) Finance expenses

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

(l) 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(j) for policy on assessing impairment of intangible assets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make further payments in respect of the purchase of these good and services. These amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings

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

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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; and
- Dividends - from the time the right to receive the payment is established.

(v) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Derivative financial instruments

The Group uses derivative financial instruments (including forward currency contracts and inflation swap instruments) to hedge its risks associated with foreign currency and consumer price index (CPI) fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of inflation swap contracts are calculated by reference to current CPI rates with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivative, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

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.

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)

(x) 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 2010, 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
Amendment	AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 117, 118, 136 & 139]	1 January 2010	1 July 2010	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Group's financial report.
Amendment	AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010	The Standard makes amendments to Australian Accounting Standard AASB 2 Share Based Payments. The amendments clarify the accounting for Group cash settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments are not expected to have any impact on the Group's financial report.
New	AASB 9 Financial Instruments	1 January 2010	1 July 2010	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of the IASB's project to replace IAS 39 Financial Instruments and Measurement. The changes in AASB 9 are not expected to have any impacts on the Group's financial report.
Amendment	AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 July 2013	The revised Standard introduces a number of changes to the accounting for financial assets. The amendments are not expected to have any impacts on the Group's financial report.
Amendment	AASB 124 Related Party Disclosures	1 January 2011	1 July 2011	Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The amendments are not expected to have any measurement implications for the Group but may result in changes to the related party disclosures included in the Group's financial report.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted (continued)

Amendment/ New	Affected Standards	Application Date of Standard	Application Date for Group	Accounting Policy Impact
New	AASB 1053 Application of Tiers of Australian Accounting Standards	1 July 2013	1 July 2013	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements. As the Group will be classified as a Tier 1 reporting entity, it is not expected that this standard will have any impact on the Group's financial report.
Amendment	AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	1 January 2011	1 July 2011	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendments are not expected to have any measurement implications for Group but may result in changes to disclosures in the Group's financial report.

	Consolidated 2010 $000's	Consolidated 2009 $000's
2 REVENUES AND EXPENSES		
(a) Revenue		
Sales revenue		
Sale of goods	372,120	343,078
Royalties	1,024	1,072
	373,144	344,150
Other revenue		
Tender forfeits	386	336
Rent revenue	622	1,089
Interest revenue	195	606
Retail services fee revenue from related party	2,325	1,218
Retail licence fee revenue from related party	4,215	–
Net profit on disposal of plant and equipment	–	102
Other	332	46
	381,219	347,547
(b) Cost of sales		
Costs of inventories recognised as an expense	164,865	145,320
Adjustments to net realisable value of inventories	(76)	(45)
	164,789	145,275
(c) Depreciation and other expenses		
Depreciation of plant & equipment	11,247	8,507
Operating lease expenses		
Minimum rental payments	60,516	51,834
Contingent rentals	969	1,187
	61,485	53,021
Defined contribution superannuation expense	7,081	6,953
Net loss on disposal of plant and equipment	238	–
(d) Finance expenses		
Interest paid to banks and other financial institutions	463	28
Facility fees	134	90
	597	118

		Consolidated 2010 $000's	Consolidated 2009 $000's
3	**INCOME TAX EXPENSE**		
(a)	**Income tax expense**		
	Current tax	(3,147)	(8,722)
	Deferred tax	(1,981)	2,483
	Income tax expense	(5,128)	(6,239)
	Deferred income tax revenue (expense) included in income tax expense comprises:		
	(Decrease) increase in deferred tax assets	(2,030)	2,699
	Decrease (increase) in deferred tax liabilities	49	(216)
		(1,981)	2,483
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit before income tax expense	17,459	21,888
	Prima facie tax thereon at 30% (2009: 30%)	(5,238)	(6,566)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	Non-allowable expenses	(84)	(79)
	Non-assessable income	–	22
	Research & development deduction	–	89
	Investment allowance	211	328
	Adjustment to prior period provision	3	(26)
	Other	(20)	(7)
	Income tax expense	(5,128)	(6,239)
(c)	**Deferred tax assets**		
	The balance comprises temporary differences attributable to:		
	Depreciation	3,891	3,878
	Employee benefits	2,248	4,640
	Lease incentives	269	79
	Lease liabilities	993	1,018
	Inventories	1,340	1,218
	Cash flow hedges	–	2,652
	Other	349	287
		9,090	13,772
	Movements:		
	Opening balance at beginning of period	13,772	9,418
	Credited (charged) to the income statement	(2,030)	2,699
	Credited (charged) directly to equity	(2,652)	1,651
	Adjustment to prior period provision	–	4
		9,090	13,772
	Deferred tax liabilities		
	The balance comprises temporary differences attributable to:		
	Lay-by sales	50	67
	Prepayments	222	256
	Inventories	180	–
	Lease assets	10	13
	Research & development	176	388
	Cash flow hedges	46	–
	Other	217	180
		901	904
	Movements:		
	Opening balance at beginning of period	904	690
	(Credited) charged to the income statement	(49)	216
	(Credited) charged directly to equity	46	–
	Adjustment to prior period provision	–	(2)
		901	904
	Net deferred tax assets	8,189	12,868

	Consolidated 2010 $000's	Consolidated 2009 $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% (2009: 30%)		
Foreign currency translation	(2)	(32)
Undistributed earnings	(475)	(626)
	(477)	(658)

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 $3,169,529 (2009: $4,174,421) 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.

	2010 $000's	2009 $000's
4 CASH AND CASH EQUIVALENTS		
Cash at bank and in transit	788	654
Cash on hand	108	109
Short term deposits	1,570	25,041
	2,466	25,804

Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 3.19% (2009: 4.23%) per annum. Short term deposits are at call and earn interest at 3.78% (2009: 4.83%) per annum.

		Consolidated 2010 $000's	Consolidated 2009 $000's
5	**TRADE AND OTHER RECEIVABLES (CURRENT)**		
	Trade receivables	2,851	2,585
	Related party receivables		
	Trade receivables	3,185	68
	Other receivables	1,312	644
		4,497	712
	Other receivables	90	74
		7,438	3,371
	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	3,013	2,653
	Past due 0 - 30 days	357	–
	Past due 31 - 90 days	254	–
	Past due > 90 days	2,412	–
		6,036	2,653
	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	39,113	38,758
		39,113	38,758
7	**RECEIVABLES (NON-CURRENT)**		
	Other receivables	15	35
		15	35
8	**PLANT AND EQUIPMENT**		
	Leasehold improvements		
	At cost	31,792	27,428
	Accumulated depreciation	(16,682)	(13,893)
		15,110	13,535
	Fixtures, fittings and equipment		
	At cost	97,642	83,874
	Accumulated depreciation	(64,180)	(56,895)
		33,462	26,979
	Capital works in progress	7,500	6,649
		56,072	47,163
	Reconciliations		
	Leasehold improvements		
	Carrying amount at the beginning of the year	13,535	10,178
	Foreign currency translation impact on opening balance	2	20
	Additions during the year	5,014	6,070
	Disposals during the year	(158)	2
	Depreciation expense	(3,283)	(2,735)
	Carrying amount at the end of the year	15,110	13,535
	Fixtures, fittings and equipment		
	Carrying amount at the beginning of the year	26,979	19,072
	Foreign currency translation impact on opening balance	2	27
	Additions during the year	14,533	13,830
	Disposals during the year	(88)	(178)
	Depreciation expense	(7,964)	(5,772)
	Carrying amount at the end of the year	33,462	26,979
	Capital works in progress		
	Carrying amount at the beginning of the year	6,649	3,974
	Foreign currency translation impact on opening balance	–	165
	Additions during the year	9,793	21,815
	Transfers to other categories	(8,942)	(19,305)
	Carrying amount at the end of the year	7,500	6,649

	Consolidated 2010 $000's	2009 $000's
9 INTANGIBLE ASSETS		
Trade names		
At cost	11,293	11,277
	11,293	11,277
Reconciliations		
Trade names		
Carrying amount at the beginning of the year	11,277	11,189
Additions during the year	16	88
	11,293	11,277

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% (2009: 2.5%);
- discount rates - the pre-tax discount rate applied to the cash flow projection is 18.8% (2009: 18.8%); and
- growth rates used to extrapolate cash flows - the growth rate used to extrapolate cash flows from royalties, based on Access Economics 5 year average sales growth forecasts for the clothing and soft good sector is 3.9% (2009: 2.4%).

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.

	2010 $000's	2009 $000's
10 TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	15,581	21,294
Other payables	12,162	8,164
	27,743	29,458
11 INTEREST BEARING LIABILITIES (CURRENT)		
Money market borrowings	3,000	–
Total interest bearing liabilities (current)	3,000	–

Money market borrowings are subject to floating interest rates. The interest rate on money market borrowings at balance date was 4.76% (2009: Nil) per annum.

	2010 $000's	2009 $000's
12 PROVISIONS (CURRENT)		
Lease incentives	213	109
Leases expensed on straight line basis	496	588
Employee benefits	6,860	15,012
	7,569	15,709

Movements: Refer to Note 13.

	Consolidated 2010 $000's	Consolidated 2009 $000's
13 PROVISIONS (NON-CURRENT)		
Lease incentives	685	155
Leases expensed on straight line basis	2,815	2,805
Employee benefits	679	485
	4,179	3,445

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:

Consolidated	**Lease Incentives** $000's	**Leases expensed on a straight line basis** $000's	**Total** $000's
Balance at beginning of financial year	264	3,393	3,657
Provision used during the period	634	(82)	552
Balance at end of financial year	898	3,311	4,209
Non-current	685	2,815	3,500
Current	213	496	709
	898	3,311	4,209

	Consolidated 2010 $000's	Consolidated 2009 $000's
14 CONTRIBUTED EQUITY, DIVIDENDS AND EARNINGS PER SHARE		
Ordinary shares	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
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	74,087
Balance at end of financial year	74,087	74,087
Dividends paid		
Dividends on ordinary shares:		
Final franked dividend for 2009 at 8.13 cents per share	5,614	3,453
Interim franked dividend for 2010 at 5.19 cents per share	3,584	3,584
	9,198	7,037
Dividends not recognised at year end		
Since year end the Directors have determined the payment of a final dividend of 3.62 cents per fully paid ordinary share, fully franked based on tax paid at 30% (2009: 8.13 cents). The aggregate amount of the dividend scheduled to be paid on 29 September 2010 out of profits earned in respect of the financial year ending 30 June 2010, but not recognised as a liability at year end, is	2,500	5,614
Franked dividends		
Franking credits available for future reporting periods based on a tax rate of 30%	19,109	10,955
The impact on the franking account of the dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $1,071,000 (2009: $2,406,000).		
Basic earnings per share		
Profit attributable to the equity holders of the company (cents per share)	17.86	22.66
Profit attributable to the equity holders of the company used in calculating basic earnings per share	12,331	15,649
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 2010 $000's	Consolidated 2009 $000's
15	**RETAINED PROFITS AND RESERVES**		
	Retained profits	10,901	7,768
	Reserves		
	Exchange differences on translation of foreign operations	(767)	(780)
	Hedging reserve - cash flow hedges	571	(6,094)
		(196)	(6,874)
	Movements:		
	Retained profits		
	Balance at beginning of financial year	7,768	(844)
	Dividends paid	(9,198)	(7,037)
	Net profit for the year	12,331	15,649
	Balance at end of financial year	10,901	7,768
	Exchange differences on translation of foreign operations		
	Balance at beginning of financial year	(780)	(927)
	Exchange differences on translation of foreign operations during period	13	147
	Balance at end of financial year	(767)	(780)
	Hedging reserve - cash flow hedges		
	Balance at beginning of financial year	(6,094)	(2,327)
	Revaluation - gross	9,363	(5,418)
	Deferred tax	(2,698)	1,651
	Balance at end of financial year	571	(6,094)

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 or upgrades to information systems.

	2010 $000's	2009 $000's
Commitments contracted for at reporting date but not recognised as liabilities are:		
Within one year	4,072	2,780
	4,072	2,780

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.

	2010 $000's	2009 $000's
Commitments contracted for at reporting date but not recognised as liabilities are:		
Not later than one year	63,073	56,010
Later than one year but not later than five years	135,275	163,844
Later than five years	29,796	31,247
	228,144	251,101

		Consolidated	
		2010	2009
		$000's	$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		339	326
later than one year but not later than five years		162	501
		501	827
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	$200,000
– other services in relation to the audit of sales certificates		$11,930	–
		$211,930	$200,000
18 FINANCING ARRANGEMENTS			
The Group had access to the following financing arrangements:			
External financial institutions:			
Cash advance facility	(i)	10,000	12,000
Trade finance facility	(i)	9,500	5,000
Bank overdraft	(i)	500	500
Total facilities available		20,000	17,500
Facilities used at reporting date:			
Cash advance facility		3,000	–
Total drawn facilities		3,000	–
Total undrawn facilities		17,000	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 2010 %	Total Equity Interest 2009 %	Investment 2010 $000's	Investment 2009 $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		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:

	2010 $000's	2009 $000's
(i) Income Statement		
Profit before income tax expense	16,464	20,434
Income tax expense	(4,827)	(5,782)
Net profit for the period	11,637	14,652
Retained profits at beginning of period	26,228	18,613
Dividends provided for or paid	(9,198)	(7,037)
Retained profits at end of period	28,667	26,228
(ii) Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	1,934	24,567
Trade and other receivables	10,711	3,338
Inventories	36,567	36,453
Other assets	3,318	2,158
Total current assets	52,530	66,516
NON-CURRENT ASSETS		
Receivables	15	35
Investments	479	479
Plant and equipment	53,881	44,461
Intangible assets	11,293	11,277
Other	8,959	13,556
Total non-current assets	74,627	69,808
Total assets	127,157	136,324
CURRENT LIABILITIES		
Trade and other payables	31,207	31,361
Borrowings	3,000	–
Provisions	9,829	23,882
Other	1,911	9,663
Total current liabilities	45,947	64,906
NON-CURRENT LIABILITIES		
Other payables	3,399	183
Provisions	1,568	4,075
Total non-current liabilities	4,967	4,258
Total liabilities	50,914	69,164
Net assets	76,243	67,160
EQUITY		
Contributed equity	47,576	40,932
Retained profits	28,667	26,228
Total equity	76,243	67,160

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 $4,752,661 to Country Road Clothing Pty Ltd (2009: $6,414,831) and $78,423 to Country Road International Pty Ltd (2009: $101,803).

(b) All expenses incurred by the parent entity during the period 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 an interim dividend of $2,200,000 (2009: Nil) was paid from Country Road Clothing Pty Ltd to Country Road Limited. A final dividend of $3,300,000 (2009: $5,500,000) was declared on 29 June 2010. The dividend is payable on 30 September 2010.

(e) Current tax payable assumed by Country Road Limited from wholly owned tax consolidated entities for the year was $3,650,290 (2009: $8,270,610). 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 $455,256 (2009: $7,970,177). 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 commercial terms and conditions. Amounts charged during the year totalled $2,325,096 (2009: $1,218,193).

(c) During the year the Group charged licence services fees to Woolworths Pty Ltd on normal commercial terms and conditions. Amounts charged during the year totalled $4,214,520 (2009: Nil).

(d) At 30 June 2010 the balance receivable from Woolworths Pty Ltd was $4,496,635 (2009: $711,988). Outstanding balances at year end are unsecured, interest free, and settlement occurs in cash.

For the year ended 30 June 2010, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as past payment history indicates the debt will be recovered (2009: Nil).

(e) Dividends were paid to Woolworths International (Australia) Pty Ltd during the year of $8,083,693 (2009: $6,184,146) 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

- Simon Susman (Non-Executive Director & Chairman)
- Ian Moir (Non-Executive Director)
- Norman Thomson (Non-Executive Director)
- John Cheston (Executive Director & Chief Executive Officer - appointed 1 July 2010)
- Glenn Gilzean (Executive Director & GGM Retail Operations)
- Sophie Holt (Executive Director & Creative Director - appointed 1 January 2010)

Executives

- Derek Muirhead (GGM Merchandise)
- David Thomas (Chief Financial Officer & Company Secretary)
- Oliver Kysela (Chief Financial Officer - resigned 9 October 2009)
- Stephen Binns (GGM Information Technology)
- Matt Keogh (GGM Human Resources)
- Jacinta McCarthy (Acting GGM Human Resources - appointed 3 May 2010)
- Jacqui Moore (GGM Marketing - appointed 10 November 2008)

	Consolidated	
Compensation of Directors & Key Management Personnel	2010 $	2009 $
Short-term employee benefits	$2,897,113	$4,298,017
Post-employment benefits	$201,915	$249,106
Other long term benefits	$921,035	$6,520,773
Share-based payments	$101,286	$50,925
	$4,121,349	$11,118,821

Option holdings of Directors & 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 the 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. On 12 December 2009, there was a reduction in the exercise price on the remaining options to R2.97. 20% of the options vest annually for the first 5 years after grant date. At the beginning of the period, 199,925 were held. During the period 199,925 options were exercised at R23.72 per share. Mr Moir had no options remaining at balance date.
- 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. On 12 December 2009, there was a reduction in the exercise price on the remaining options to R12.16. 20% of the options vest annually for the first 5 years after grant date. At the beginning of the period, 264,025 options were held. During the period, 211,220 options were exercised at R23.90 per share. At the end of the period, 52,805 options remain to be exercised with an expiry date of 3 January 2016.

Share holdings of Key Management Personnel

Certain key management personnel have been granted shares in Woolworths Holdings Ltd, the ultimate controlling entity, as part of the Woolworths Restricted Share Award Scheme. These shares were granted by Woolworths and do not form part of the remuneration payable by Country Road Limited. The value of these shares has been determined in accordance with the requirements of AASB 2 'Share Based Payments' and are included in the remuneration table which forms part of the Directors Report. At balance date, shares provided in South African Rand (R) were:

- On 19 May 2010 Mr Matt Keogh was seconded to Woolworths Holdings Ltd and allotted 373,667 Restricted Shares in Woolworths Holdings Ltd at a share price of R22.76, at a fair value in Australian dollars of $1,312,984. The Restricted Shares have a vesting period of 3 years, during which time the shares may not be disposed of or otherwise encumbered.

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

2010

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

2009

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	
	2010	2009
Reconciliation of operating profit after income tax to net cash flows from operating activities	$000's	$000's
Operating profit after income tax	12,331	15,649
Add non-cash items		
Depreciation	11,247	8,507
Net fair value change in derivatives	(212)	20
Lease incentive amortisation	(138)	(180)
Adjustments to net realisable value of inventories	76	45
Disposal of plant and equipment	238	(102)
Net foreign currency translation (gains)/losses	(55)	134
Straight line lease amortisaton	(74)	(456)
Changes in:		
Trade and other receivables	(4,047)	478
Inventories	(431)	(10,250)
Other assets	(1,063)	(1,269)
Deferred tax assets	4,679	(4,140)
Trade and other payables	(3,527)	10,034
Provision for income tax	(9,353)	4,495
Provision for employee benefits	(7,958)	7,960
Other provisions	552	(651)
Other liabilities	(7,752)	6,326
Reserves	6,733	(3,767)
Net cash flows from operating activities	1,246	32,833

24 OPERATING SEGMENTS

Segment Information

The Group has identified its operating segments based on the internal management reports that are reviewed by the Chief Executive Officer.

The operating segments are identified by management based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about these operating businesses is reported to the Chief Executive Officer on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and the method used to distribute the products.

The Group operates in one reportable segment, being the design and retail sale of apparel, homewares and related accessories.

The accounting policies used by the Group in reporting segments are the same as those contained in Note 1 to the accounts and in the prior period. Information regarding the results of each reportable segment is included below.

Performance is measured based on segment profit before finance expenses and income tax as included in the internal management reports that are reviewed by the Chief Executive Officer. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Consolidated			
	Retail $000's	Other $000's	Unallocated $000's	Total $000's
2010				
Sales to external customers	371,665	455	–	372,120
Other revenue from external customers	386	7,563	–	7,949
Total segment revenue	372,051	8,018	–	380,069
Reportable segment profit before tax	71,923	7,110	–	79,033
Interest revenue	–	–	195	195
Finance costs	–	–	(597)	(597)
Depreciation	8,842	158	2,247	11,247
Reportable segment assets	77,617	7,667	–	85,284
Capital expenditure	13,906	183	6,315	20,404
2009				
Sales to external customers	335,108	7,970	–	343,078
Other revenue from external customers	336	2,290	–	2,626
Total segment revenue	335,444	10,260	–	345,704
Reportable segment profit before tax	79,644	2,822	–	82,466
Interest revenue	–	–	606	606
Finance costs	–	–	118	118
Depreciation	6,959	–	755	7,714
Reportable segment assets	57,702	2,538	–	60,240
Capital expenditure	15,947	1,163	5,467	22,577

	Consolidated 2010 $000's	Consolidated 2009 $000's
24 OPERATING SEGMENTS (continued)		
Reconciliation of reportable segment information		
Total segment revenue	380,069	345,704
Other revenue from continuing operations	1,150	1,843
Total revenue per income statement	381,219	347,547
Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic locations based on the location of the customers. The company does not have external revenue from external customers that are attributable to any foreign country other than as shown below:		
Australia	343,546	310,380
New Zealand	30,678	27,979
South Africa	6,995	9,188
Total revenue	381,219	347,547
Reconciliation of reportable segment net profit before income tax		
Segment net profit before income tax	79,033	82,466
Other income	1,150	1,843
Unallocated amounts - other corporate expenses	(62,724)	(62,421)
Net profit before income tax	17,459	21,888
Reconciliation of reportable segment assets		
Segment assets	85,284	60,240
Derivative assets	2,294	824
Deferred tax assets	9,090	13,772
Unallocated assets	32,526	66,832
Total assets	129,194	141,668

25 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, and cash and short-term deposits. The Group is provided with financing arrangements as disclosed in Note 18. The main purpose of these financial instruments is to finance the Group's working capital and investment requirements. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Changes in variables illustrated in the tables below are based on management's view of current market conditions at reporting date.

(b) Cash flow interest rate risk

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

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

At reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk.

	Consolidated	
	2010 $000's	2009 $000's
Financial assets		
Cash and cash equivalents	2,466	25,804
Financial liabilities		
Money market borrowings	(3,000)	–
Net exposure	(534)	25,804

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 expense during the year as follows:

	Consolidated	
	Post Tax Profit Higher/(Lower) $000's	Equity Higher/(Lower) $000's
2010		
+0.50% (50 basis points)	(25)	–
+0.25% (25 basis points)	(12)	–
-0.25% (25 basis points)	12	–
-0.50% (50 basis points)	25	–
2009		
+0.50% (50 basis points)	42	–
+0.25% (100 basis points)	21	–
-0.25% (25 basis points)	(21)	–
-0.50% (50 basis points)	(42)	–

The movements in profit is due to higher/lower net interest expense incurred 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 2010, 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	2,466	2,466	–	–	–
Trade and other receivables	7,453	5,026	2,412	15	–
Derivative financial instruments - inflows	75,013	4,433	70,580	–	–
Derivative financial instruments - outflows	(72,719)	(4,330)	(68,389)	–	–
	12,213	7,595	4,603	15	–
Financial liabilities					
Trade and other payables	27,743	18,052	9,691	–	–
Interest bearing loans and borrowings	3,000	3,000	–	–	–
Derivative financial instruments - outflows	46,525	29,511	17,014	–	–
Derivative financial instruments - inflows	(44,614)	(28,256)	(16,358)	–	–
	32,654	22,307	10,347	–	–

At reporting date, the Group had utilised $3,000,000 (2009: Nil) of borrowings.
$17,000,000 (2009: $17,500,000) of unused credit facilities were available for 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 97% of its highly probable forecast USD purchases, and 75% of its highly probable forecast EUR purchases extending to 14 June 2011.

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	
	2010 $000's	2009 $000's
Financial liabilities		
Trade payables - USD	9,381	8,907
Trade payables - EUR	135	273
Net exposure	9,516	9,180

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
2010		
AUD/USD +5.0%	–	(2,943)
AUD/EUR +5.0%	–	(55)
AUD/USD -5.0%	–	3,259
AUD/EUR -5.0%	–	62
2009		
AUD/USD +2.5%	–	(1,865)
AUD/EUR +2.5%	–	(17)
AUD/USD -5.0%	–	4,463
AUD/EUR -5.0%	–	32

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 the receivables balance of the Group is assessed and monitored as follows:

	Consolidated	
	2010	2009
	$000's	$000's
New customers	–	–
No default customers	7,453	3,406
Net exposure	7,453	3,406

(f) Inflation risk

Inflation risk arises from the effect movements in Australia's inflation rate, as per the Consumer Price Index (CPI) 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 on inflation will have on variable expenditure.

From time to time, hedging products may become available to limit the Group's exposure to inflation risk. It is the Group's policy to manage inflation risk by 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
2010		
If CPI was 3.5%	175	–
If CPI was 3.0%	57	–
If CPI was 2.5%	(61)	–
2009		
If CPI was 2.5%	338	–
If CPI was 2.0%	103	–
If CPI was 1.5%	(131)	–

(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 2010 $000's	2009 $000's
Current assets		
Forward currency contracts - cash flow hedges	2,062	824
Inflation swap contracts	232	–
	2,294	824
Current Liabilities		
Forward currency contracts - cash flow hedges	1,911	9,643
Inflation swap contracts	–	20
	1,911	9,663

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 2010 with realised gains or losses recognised in cost of sales when the inventory is sold. At reporting date, the Group's contracts hedging future inventory purchases were:

	Buy US Dollars $000's	Buy Euro $000's	Totals $000's
2010			
Aggregate foreign currency value of contracts	79,683	1,191	
Weighted average foreign exchange rate	0.8422	0.6226	
Aggregate value of contracts in Australian dollars	94,608	1,913	
Fair value at reporting date	94,935	1,737	
Net gain/(loss) on revaluation taken to reserves	327	(176)	151
Net gain/(loss) on revaluation taken to the income statement	–	–	–
Total gain/(loss) on revaluation	327	(176)	151
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)

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 2010, a gain of $232,131 (2009: Loss of $20,031) 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the years end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this Auditor's report was signed. In additon to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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 2010 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 18 to 22 of the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
25 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	151	48,147
1,001 – 5,000	32	66,143
5,001 – 10,000	4	26,523
10,001 – 100,000	3	53,937
>100,000	2	68,862,072
Total ordinary shares	192	69,056,822

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	D & L Osborne Pty Ltd <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 Juan Carlos Fuentes	3,000	<0.01
13	Mr John Allan Dawkins + Mrs Christine Gould Dawkins <J + C Dawkins Super Fund>	2,960	<0.01
14	Mrs Barbara McNally	2,950	<0.01
15	Gilmour Investments (Vic) Pty Ltd <M Gilmour Super Fund>	2,725	<0.01
16	Mr Avdyl Agushi + Mrs Luma Agushi <Future Ind Retirement Fund>	2,500	<0.01
17	Mr John Armit	2,300	<0.01
18	Mr Mark Tomlinson	2,247	<0.01
19	Mrs Mary Rosa Wilson	2,241	<0.01
20	Mr Brad Cumming <Emily & Georgie Cumming A/C>	2,222	<0.01
		68,979,156	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.

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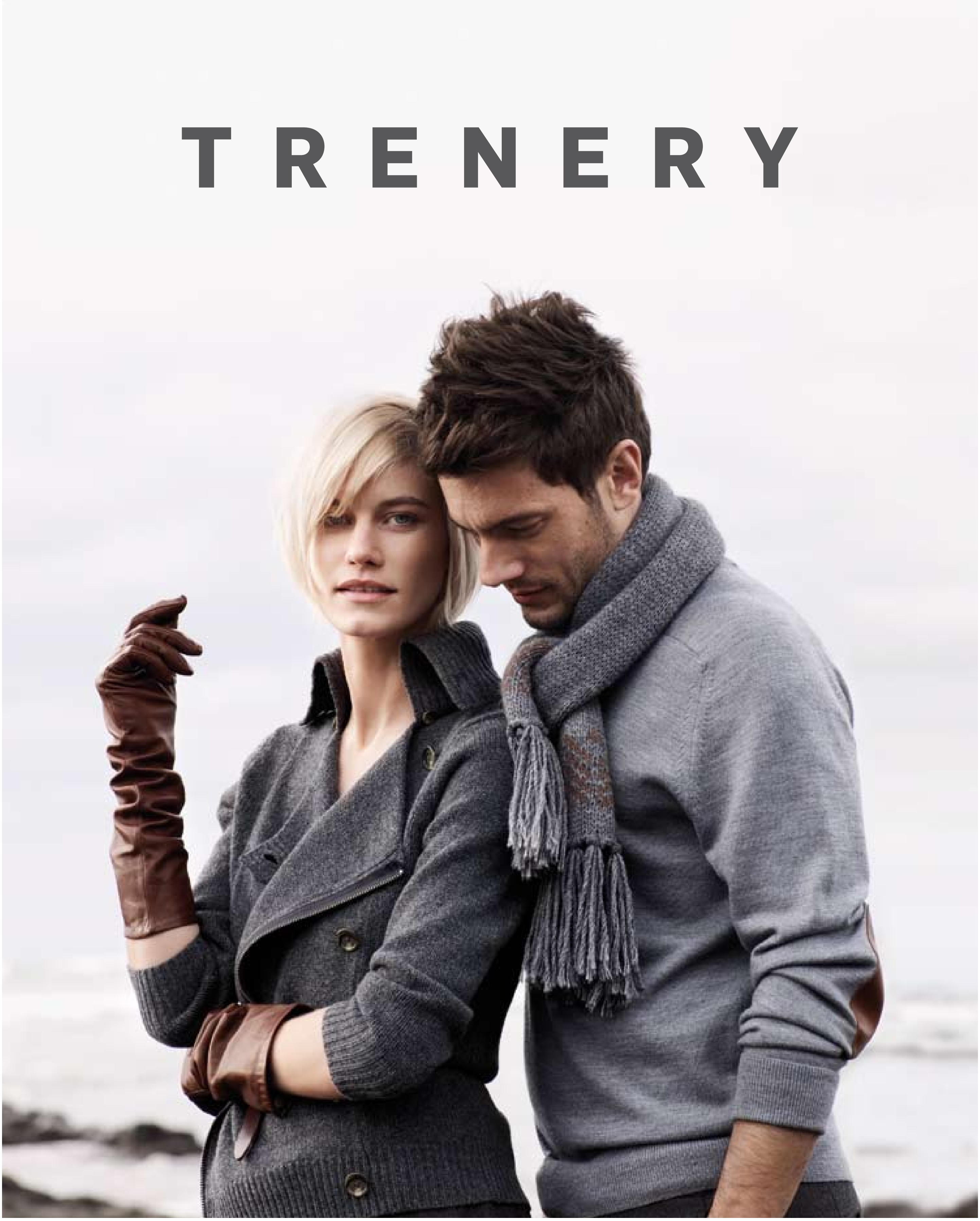

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