

COUNTRY ROAD

26 AUGUST 2010

STATEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

FULL YEAR AUDITED RESULTS FOR YEAR ENDED 30 JUNE 2010

Country Road today announced a third consecutive year of solid sales growth. Against the prior year, key factors underlying the result include:

- Full year revenue up 9.7% to \$381 million;
- Full year total sales up 8.5% to \$372.1 million;
- Full year profit before tax down 20.2% to \$17.5 million; and
- Full year dividend totalling 8.81 cents per share.

	FY10 \$m	FY09 \$m		Var To LY
Total sales	372.1	343.1	↑	8.5%
Total retail sales	289.3	255.7	↑	13.1%
Total concession sales	82.3	79.4	↑	3.7%
Total wholesale sales	0.5	8.0	↑	93.8%
Profit before tax (PBT)	17.5	21.9	↓	20.2%
Profit after tax (PAT)	12.3	15.6	↓	21.2%
Dividend (cents per share)	8.81	13.32	↓	33.9%

The Company announced a fully franked final dividend of 3.62 cents per fully paid ordinary share scheduled for payment on 29 September 2010. This brings the total dividend per share for the full year to 8.81 cents per share.

“Total sales for the year have increased 8.5% on the prior year. This result is pleasing considering the challenging retail conditions,” said Chief Executive Officer John Cheston. “However, our profit is down on last year due to the discount led market conditions significantly impacting margins combined with the start up costs of our Trenergy brand.”

“We continue to focus upon the rollout strategy for Trenergy and are continuing the expansion of Country Road. Whilst we are optimistic about our growth plans for both brands, we are mindful of the persisting difficult retail environment,” said Cheston. “Initiatives have now been implemented aimed at sustainably driving business efficiency.”

The Company’s Annual General Meeting is scheduled for Wednesday, 20 October 2010.

For further information, please contact:

John Cheston
Chief Executive Officer
Country Road Limited
(03) 9267 1400

Preliminary Final Report

Name of Entity

Country Road Limited

ABN

78 006 759 182

Year Ended
(Current Period)

30 June 2010

Results For Announcement to the Market

\$A'000

Revenue	up	9.7% to	381,219
Profit before interest and tax	down	17.9% to	18,056
Profit before tax	down	20.2% to	17,459
Net profit after tax	down	21.2% to	12,331
Net profit for the period attributable to members	down	21.2% to	12,331

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend: Current period (cents per share)	3.62 cents	Fully franked
Previous corresponding period (cents per share)	8.13 cents	Fully franked
Interim dividend: Current period (cents per share)	5.19 cents	Fully franked
Previous corresponding period (cents per share)	5.19 cents	Fully franked
Total dividend: Current period (cents per share)	8.81 cents	Fully franked
Previous corresponding period (cents per share)	13.32 cents	Fully franked

Record date for determining entitlements to the dividend

15 September 2010

Net tangible asset backing	Consolidated Current Period	Consolidated Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	106.43 cents	92.25 cents

Other disclosures

There were no entities over which control was gained or lost during the period.

No interest is held in any joint ventures or entities over which the consolidated entity has significant influence.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$000's	2009 \$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

Balance Sheet

AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 \$000's	2009 \$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 receivable		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
Other financial assets		-	-
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

Statement of Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated		
	Note	2010 \$000's	2009 \$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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$000's	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			
Proceeds from borrowings		3,000	-
Dividend payments		(9,197)	(7,037)
Net cash flows from 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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

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) Compliance with IFRS

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".

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 is reduced on a straight-line basis over the remaining term of the lease.

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

(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 future payments in respect of the purchase of these goods 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

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

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

The Group, through a number of funds, provides superannuation benefits for various categories of employees. All funds are administered externally and provide benefits for death, total disability, retirement and resignation. All benefits are provided on an accumulation of contributions basis and accordingly no actuarial assessment is required. Contributions vary from employee to employee as determined by various awards and negotiated conditions of employment. Future company contributions required to meet the Superannuation Guarantee Charge in Australia and contributions under awards are legally enforceable.

(r) Issued capital

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

(s) Comparative figures

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

(t) Earnings per share (EPS)

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

Diluted EPS is calculated as net profit for the period adjusted for:

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

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

(u) Revenue

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

- Sale of goods in retail stores - at point of sale;
- Sale of goods to wholesale customers - at time of delivery;
- Interest - from the time the right to receive interest revenue has been attained, using the effective interest method;
- Royalties and licence fees - from the time a right to receive consideration for the provision of, or investment in, assets or the use of a Country Road trademark, has been attained;
- Operating sub-lease revenue - from the time a right is attained to receive consideration for the provision of leased premises to a sub-tenant, is recognised progressively over the term of the sub-leasing contract, inclusive of early exit penalties;
- Retail services fee revenue - from the time the right to receive consideration for the provision of services has been attained;
- 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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 commodity 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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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
Amendment	AASB 124 Related Party Disclosures	1 January 2011	1 July 2011	<p>Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.</p> <p>The amendments are not expected to have any measurement implications for Group but may result in changes to the related party disclosures included in the Group's financial report.</p>
New	AASB 1053 Application of Tiers of Australian Accounting Standards	1 July 2013	1 July 2013	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.</p> <p>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.</p>
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	<p>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.</p>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	2009 \$000's
2 REVENUES AND EXPENSES		
(a) Revenue		
<i>Sales revenue</i>		
Sale of goods	372,120	343,078
Royalties	1,024	1,072
	373,144	344,150
<i>Other revenue</i>		
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	-
Dividend income from controlled entities	-	-
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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	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) or benefit	<u>(5,128)</u>	<u>(6,239)</u>
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)
	<u>(1,981)</u>	<u>2,483</u>
(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) or benefit	<u>(5,128)</u>	<u>(6,239)</u>
(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
	<u>9,090</u>	<u>13,772</u>
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
	<u>9,090</u>	<u>13,772</u>
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
	<u>901</u>	<u>904</u>
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)
	<u>901</u>	<u>904</u>
Net deferred tax assets	<u>8,189</u>	<u>12,868</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$000's	\$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)
	<u>(477)</u>	<u>(658)</u>
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.		
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
	<u>2,466</u>	<u>25,804</u>
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.		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	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
Dividend receivables	-	-
	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
31 - 60 days	357	-
61 - 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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	2009 \$000's
8 PLANT AND EQUIPMENT (continued)		
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	<u>15,110</u>	<u>13,535</u>
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	<u>33,462</u>	<u>26,979</u>
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	<u>7,500</u>	<u>6,649</u>
9 INTANGIBLE ASSETS		
Trade names		
At deemed cost	11,293	11,277
	<u>11,293</u>	<u>11,277</u>
Reconciliations		
<i>Trade names</i>		
Carrying amount at the beginning of the year	11,277	11,189
Additions during the year	16	88
	<u>11,293</u>	<u>11,277</u>

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	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.		
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.		
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

Balance at beginning of financial year	
Provision used during the period	
Balance at end of financial year	
Non-current	
Current	

Lease Incentives	Leases expensed on a straight-line basis	Total
\$000's	\$000's	\$000's
264	3,393	3,657
634	(82)	552
898	3,311	4,209
685	2,815	3,500
213	496	709
898	3,311	4,209

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	2009 \$000's
14 CONTRIBUTED EQUITY, DIVIDENDS AND EARNINGS PER SHARE		
Ordinary shares	74,087	74,087
	<u>74,087</u>	<u>74,087</u>
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	<u>74,087</u>	<u>74,087</u>
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	<u>3,584</u>	<u>3,584</u>
	<u>9,198</u>	<u>7,037</u>
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, (2009: 8.13 cents) fully franked based on tax paid at 30%. 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)	<u>69,056,822</u>	<u>69,056,822</u>
Diluted earnings per share		
No adjustments for dilutive securities are required.		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010 \$000's	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)
	<u>(196)</u>	<u>(6,874)</u>
Movements:		
Retained profits (losses)		
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	<u>10,901</u>	<u>7,768</u>
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	<u>(767)</u>	<u>(780)</u>
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	<u>571</u>	<u>(6,094)</u>
Nature and purpose of reserves		
Foreign currency translation reserve:		
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.		
Cash flow hedge reserve:		
This reserve records the portion of the gain or loss on a hedging instrument that is deemed to be an effective hedge. There was no hedge ineffectiveness recognised in the income statement during the year.		
16 COMMITMENTS		
Capital commitments		
At reporting date the Group has commitments principally relating to the opening of new stores, the refurbishment of existing stores, and investment in/upgrades to information systems.		
Commitments contracted for at reporting date but not recognised as liabilities are:		
Within one year	4,072	2,780
	<u>4,072</u>	<u>2,780</u>
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.		
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
	<u>228,144</u>	<u>251,101</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

		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 entity and any other entity in the Group		\$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.			

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

19 RELATED PARTY DISCLOSURES

	Place of incorporation	Note	Total Equity Interest 2010 %	Total Equity Interest 2009 %
Country Road Limited	Australia	(a)		
Country Road Clothing Pty Ltd	Australia	(a)	100	100
Country Road Clothing (N.Z.) Ltd	New Zealand		100	100
Country Road Properties Pty Ltd	Australia	(a)	100	100
Country Road Ventures Pty Ltd	Australia	(a)	100	100
Country Road Ltd	UK		100	100
Country Road International Pty Ltd	Australia	(a)	100	100
Country Road (Hong Kong) Ltd	Hong Kong		100	100

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:

(i) Income Statement

Profit before income tax expense

Income tax expense

Net profit for the period

Retained profits at beginning of period

Dividends provided for or paid

Share capital reduction

Retained profits at end of period

(ii) Balance Sheet

CURRENT ASSETS

Cash and cash equivalents

Trade and other receivables

Inventories

Other assets

Total current assets

NON-CURRENT ASSETS

Receivables

Investments

Plant and equipment

Intangible assets

Other

Total non-current assets

Total assets

CURRENT LIABILITIES

Trade and other payables

Borrowings

Provisions

Other

Total current liabilities

NON-CURRENT LIABILITIES

Other payables

Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Contributed equity

Retained profits

Total equity

	2010 \$000's	2009 \$000's
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)
Share capital reduction	-	-
Retained profits at end of period	28,667	26,228
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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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

- 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).
- All expenses incurred by the parent entity during the period were paid by Country Road Clothing Pty Ltd.
- 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.
- 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.
- 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

- 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.
- 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).
- 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).
- 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).
- 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 2 July 2010)
- Glenn Gilzean (Executive Director & GGM Retail Operations)
- Sophie Holt (Executive Director & GGM Product Design & Development - 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)

Compensation of Key Management Personnel

Short-term employee benefits

Post-employment benefits

Other long term benefits

Share-based payments

Consolidated	
2010	2009
\$	\$
\$2,897,114	\$4,298,017
\$201,915	\$249,106
\$932,171	6,520,773
\$101,286	\$50,925
\$4,132,486	\$11,118,821

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

20 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Option holdings of Key Management Personnel

Certain key management personnel have been granted options in Woolworths Holdings Limited, the ultimate controlling entity, as part of the Woolworths Executive Share Option Plan. These options were granted by Woolworths and do not form part of the remuneration payable by Country Road Limited. The value of the options has been determined in accordance with the requirements of AASB 2 'Share Based Payments' and included in the remuneration table which forms part of 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 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

Reconciliation of operating profit after income tax to net cash flows from operating activities

Operating profit after income tax

Add non-cash items

Depreciation
 Net fair value change on derivative
 Lease incentive amortisation
 Adjustments to net realisable value of inventories
 Disposal of plant and equipment
 Net foreign currency translation (gains)/losses
 Straight line lease amortisation

Changes in:

Trade and other receivables
 Inventories
 Other financial assets
 Other assets
 Deferred tax assets
 Trade and other payables
 Provision for income tax
 Provision for employee benefits
 Other provisions
 Other liabilities
 Reserves

Net cash flows from (used in) operating activities

	Consolidated	
	2010	2009
	\$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 on derivative	(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 amortisation	(74)	(456)
Changes in:		
Trade and other receivables	(4,047)	478
Inventories	(431)	(10,250)
Other financial assets	-	-
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 (used in) operating activities	1,246	32,833

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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			Total \$000's
	Retail \$000's	Other \$000's	Unallocated \$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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$000's	\$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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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 revenue 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% (25 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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			-	-	-
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)	-	-
	9,747	5,129	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.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

25 FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk (continued)

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

(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 \$000's	2009 \$000's
New customers	-	-
No default customers	7,453	3,406
Net exposure	7,453	3,406

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

25 FINANCIAL INSTRUMENTS (continued)

(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.

(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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

25 FINANCIAL INSTRUMENTS (continued)**(i) Derivative financial instruments (continued)***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	-	-	-
	(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

26 PARENT ENTITY FINANCIAL INFORMATION

Balance Sheet

Current assets
 Non current assets
 Total Assets
 Current liabilities
 Non current liabilities
 Total liabilities
Shareholders Equity
 Contributed equity
 Reserves
 Retained profits

Profit for the year

Total comprehensive income for the year

Parent Entity	
2010	2009
\$000's	\$000's
4,216	5,508
76,575	82,661
80,791	88,169
4	8,293
-	-
4	79,876
74,087	74,087
-	-
6,700	5,789
80,787	79,876
10,109	11,866
10,109	11,866

27 CHANGES IN GROUP STRUCTURE

There have been no changes to the structure of the group during the current year or the preceding year.

28 ANNUAL GENERAL MEETING

The annual meeting will be held as follows:

Place: Gadwall Suite, The Como, 630 Chapel Street, South Yarra, Victoria

Date: Wednesday, 20 October 2010

Time: 10:00am

The approximate date the annual report will be available is 20 September 2010.

Compliance Statement

30 JUNE 2010

- 1 This report has been prepared in accordance with ASX Listing Rule 4.3A, Australian Accounting Standards (including Australian Accounting Interpretations), and other standards acceptable to the ASX.
- 2 This report, and the financial statements upon which the report is based, use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on financial statements which have been audited, and the audit report contains no qualifications.
- 5 The entity has a formally constituted Audit Committee.



David Thomas
Company Secretary
25 August 2010