COUNTRY ROAD

THE YEAR IN REVIEW

2010/2011

ANNUAL REPORT












THE YEAR IN REVIEW

THE ORGANISATION

FINANCIAL REPORT

The journey to improve our value proposition continues. We will continue to improve our pricing architecture, fashionability, quality and availability of our ranges. We strive to delight our existing customers, and to attract new customers in the markets we operate.

The 2011 financial year has been difficult for Australian retail. Consumers were increasingly cautious with regard to discretionary spending as a result of instability in the residential property and stock markets, growing unemployment, increased living costs, natural disasters and global economic uncertainty.

Country Road was not immune to the adverse trading environment and comparable sales were down 10.9% on the prior year. Overall sales grew by 10.6%, however, this was principally as a result of the change in structure and reporting of the South African operations. The South African operations, which had previously been operating under a brand licence arrangement, changed to a new concession agreement from 1 July 2010. As a result all sales, margin, operating expenses and ultimately profit are consolidated into the group result.

Our Australian and New Zealand operations were significantly impacted by natural diasters specifically in Christchurch and Auckland and throughout Queensland due to the floods. As a result, several stores were closed for varying periods and our Christchurch city store is closed indefinitely.

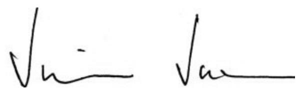
We continued to expand our Australasian retail base this year, refurbishing four stores, opening three new Country Road stores, seven new Trenery stores and four new Myers stores. We are also excited about the successful launch in August 2010 of our online store which supports both of our brands. In addition, our South African business continued to grow with the opening of two new concession stores.

Throughout the year there was a strong continued focus on expense reduction and improved inventory management. This discipline together with the recovery of previous supplier overcharges assisted in offsetting the poor trading environment. Profitability was also adversely impacted by the settlement of a dispute with a former CEO and an impairment of several underperforming assets. Against the prior year, profit before tax was up by 30% to $22.7m.

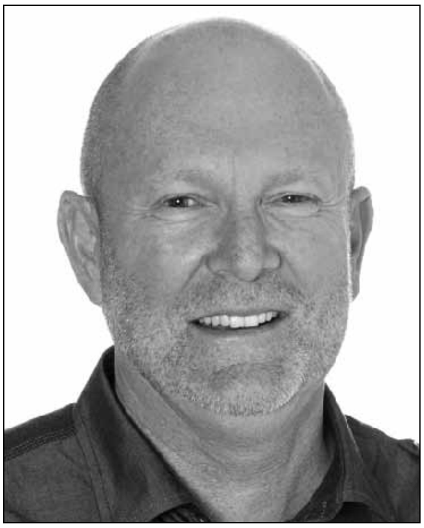
The cash position improved to close the year $13m better than the prior year with $12.5m of cash on hand and our balance sheet remains strong. With the improvement in overall performance of the Group, the Directors were pleased to announce to shareholders a fully franked dividend of 18.57 cents for fully paid ordinary shares for the year, up 111% on the prior year.

In March 2011, the Board welcomed our new CEO and Managing Director, Mr Howard Goldberg. Howard brings with him a wealth of experience across a diverse range of Australian apparel retailing. He joins us from the General Pants Group where he held the position of Managing Director for four years.

The journey to improve our value proposition continues. We will continue to improve our pricing architecture, fashionability, quality and availability of our ranges. We strive to delight our existing customers, and to attract new customers in the markets we operate. We expect the 2012 trading environment to remain challenging, however the Company is well positioned for further growth. The Board has confidence in the Company's vision and strategy, its new CEO and in management's ability to execute its strategy.



SIMON SUSMAN
CHAIRMAN



The online and digital world is a key business focus and we will continue our journey of enhancing the online customer experience, underpinning the future success of this business channel. Our online store has been successful and we see this as a key growth opportunity moving forward.

I joined Country Road in March this year. I am encouraged by the people, the brand and the business as we develop our future strategy.

This has been a challenging year for retailers in Australia. Higher interest rates, increased living costs, economic uncertainty and a number of natural disasters caused a decline in discretionary spending by consumers. This drove heavy discounting in the retail sector as retailers fought for market share and to clear out of season product. We made a strategic decision to protect margin and to compete in less promotional activity than in the prior year.

Total sales for the year increased by 10.6% to $411.7m on the prior year however this was a result of the change in reporting brought about by a structural change of our South African operations. Total Australasian sales were down 2.0% for the year with comparable, like-for-like sales down 10.9%.

We opened three new Country Road and seven new Trenery retail stores across Australia and New Zealand and four new concession stores in Myer. In addition, two new concession stores were opened in Gauteng in South Africa. We are very excited about the progress of our online store, www.countryroad.com.au, which was successfully launched in August last year.

This was the second year of the Trenery business. In South Africa, the brand has grown and has been very successful. In Australia, we have expanded the retail network in varying formats. We are still revising the optimal retail format to improve Trenery's Australian performance.

In anticipation of the retail challenges this year, we have continued to implement significant cost savings and tighten inventory controls. A stronger currency combined with the recovery of previous supplier overcharges helped to offset the increased cost of goods coming out of China and India.

Cash flow for the year has been well managed and inventories are very clean. Profit before tax improved by 30% on the prior year to $22.7m.

Year ahead

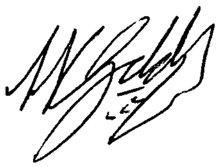
The retail outlook remains challenging and our expectations on sales remain conservative. Country Road will continue its disciplined approach and focus on creating and delivering uniquely fashionable quality products at great value in a world class retail environment.

We are committed to improving the returns from our core business. In doing so, we will reduce our cost of doing business by improving business efficiency and driving operational excellence through all internal process.

We will increase our customer base for both brands and continue to reward our valued customers by providing them with expanded ranges of improved product. We will invest in limited new stores and increase our investment in existing stores, rewarding customers for loyalty through improving their current shopping experience. We will also open several new stores in South Africa, including our new South African flagship standalone store in Sandton city, Johannesburg.

The online and digital world is a key business focus and we will continue our journey of enhancing the online customer experience, underpinning the future success of this business channel. Our online store has been successful and we see this as a key growth opportunity moving forward.

I am excited by the retail challenges ahead and look forward to reporting back on progress made.



HOWARD GOLDBERG

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Corporate and Social Responsibility is embedded in our strategy. At Country Road, we strive to innovate and create social, ethical and environmental change.

We focus on four key areas; our people, community, environment and ethical trade.

1. OUR PEOPLE

We are committed to attracting, developing and retaining an inspired, high performing workforce and providing a safe and healthy workplace.

Employee Opinion

In order to address our employees' priorities, an annual employee opinion survey is undertaken. The results of the 2011 Employee Opinion Survey were positive with an overall score of 75% employee satisfaction. Top performing categories included Teamwork and Cooperation, Fairness and Integrity and Work/Life Balance. The survey also identified opportunities for improvement and action plans have been established to address these.

Career Paths & Development Opportunities

We focus on providing strong career paths and development opportunities for our employees.

The number of 'internal management appointments' is a key measure in the corporate strategic plan and we have tracked above internal targets for the past two years. Formal succession planning meetings are conducted bi-annually covering store management positions through to executive level. A 'Careers' section on our website has a clearly defined career map for both retail and head office environments.

We invest in the development of our people and partner with the Australian Institute of Management to offer employees either management or leadership development programs. Employees who complete the courses obtain a diploma of management or a graduate certificate in management. During the year, 13 employees were selected to participate in the Management Development Program and 10 were selected to join the Leadership Development Program.

In addition, our study assistance policy enables employees to apply for financial aid and study leave in order to complete formalised study.

Competitive Benefits

All employees participate in performance based incentive programs from store team members, store managers, head office through to the executive team.

Health & Safety

We are committed to providing a safe and healthy environment for everyone. We regard compliance with legal requirements as minimum standard and work to actively promote well-being and safety by maintaining the very highest safety standards.

Equal Employment Opportunity

We are committed to equal opportunity in employment for all regardless of age, career status, disability, industrial activity, physical features, political belief or activity, pregnancy, race, religion, gender or sexual preference.

We have recently formalised our commitment and have implemented a Diversity Policy (further information is contained in the Corporate Governance Statement).

Each year, we submit to the Equal Opportunity for Women in the Workplace Agency (EOWA) a report in accordance EOWA's guidelines and report on: policies and conditions of service; HR statistical information; review of the workplace profile; and our Employee Opinion Survey results. Over the past two years, 86% of our employees were women.

2. COMMUNITY

We are committed to supporting the communities in which we operate. We provide both financial support (detailed below) and, through our Community Policy, we encourage our employees to volunteer by providing volunteer leave.

Natural Disasters

Australia and New Zealand have experienced an unprecedented level of natural disasters this year. We have responded by donating $50,000 to the Queensland Premier's Disaster Relief Appeal and $10,000 to the New Zealand Red Cross Canterbury Earthquake Appeal. In addition, we have kept all of our employees from our destroyed Christchurch store in employment at other stores in the region.

Redkite

redkite
Supporting children through cancer

Since 2008 we have been in partnership with Redkite, one of Australia's leading childhood cancer charities and donated $375,000 to the charity.

This year, we renewed our partnership and have committed to donate a further $377,000 over the next three years. We will raise these funds through corporate donations and employee and customer fundraising.

This year, total donations to Redkite increased by 25%, driven by a 21% increase in employee fundraising and a 12% increase in customer fundraising (through in-store reusable cotton bag sales and gold coin donations at Christmas).

Red Cross – Fashion Trade

This year, together with Red Cross, we launched "Fashion Trade", a clothing exchange program that rewards customers for donating their pre-loved clothing to Red Cross. The program operates in Australia and New Zealand.

This program aims to encourage good quality clothing donations, divert textile waste from landfill and raise revenue for the Red Cross. In return, we reward our donating customers by providing them with a Country Road gift certificate which they can redeem against a purchase at our stores.

Since launch, 4,700 garments were donated amounting to a potential Red Cross re-sale value of $23,000.

Red Cross beyond Fashion Trade

In addition to Fashion Trade, this year, we donated $47,000 worth of product (at cost value) to Red Cross New Zealand for sale in their retail stores and our employees raised $7,700 by selling re-usable cotton bags and encouraging customers to provide gold coin donations in stores.

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 our Country Road and Trenery stores in South Africa participate in MySchool, allowing our customers to use their MySchool supporter cards whenever they make a purchase. We then donate a percentage of each purchase to the customer's chosen school or charity.

This year, our two standalone stores in South Africa contributed $20,000 to South Africa schools and charities via MySchool.

Volunteering and Workplace Giving

The majority of Australian and New Zealand employees are eligible for volunteer leave. This year, employees volunteered by helping families after the Christchurch earthquake, the Queensland floods, Redkite Quiz nights and Redbag packing days.

We offer a workplace giving program, which enables employees to make a monthly or once-off donation via payroll. In Australia, these donations are directly tax deducible from pre-tax pay and in New Zealand, deductions can be made from post tax pay. This year, our employees donated $10,033 to their preferred charities.

3. ENVIRONMENT

We are committed to understanding, managing and, where possible, reducing the environmental impacts of our operations. This enables us to address the expectations of our customers and employees – maintaining trust in our brand – and protect shareholders interests, by responding proactively to a changing regulatory environment. Some of our environmental inititaves are set out below.

Packaging and Waste

In 2008, we became a Signatory to the Australian Packaging Covenant (APC), a national initiative between the government and packaging supply chain, focused on reducing the amount of used packaging that reached landfill. Signatory responsibilities include the submission and execution of a packaging and waste action plan.

This year, we attained a 4.3 rating (out of 5) from the APC (an increase from 3.9 during the prior year) and submitted our second three-year action plan. Our progress includes a significant increase in the number of stores that use recycled plastic; diversion of textile waste through Fashion Trade; the printing of all marketing materials on sustainably certified paper and the sale of re-usable cotton bags in store.

Procurement

Wool Sourcing: We have taken a proactive approach towards sourcing a sustainable supply of non-mulesed wool, by ongoing consultation with relevant industry groups and purchasing non- or ceased-mulesed for a proportion of our wool products. We are committed to generating positive change in this area, by encouraging the adoption of commercial alternatives to current industry practices.

Office Procurement: We are committed to improve the energy efficiency of our IT equipment, reduce office waste and increase the use of environmentally friendly office products (including paper and stationary).

This year, an e-waste purchasing and disposal policy was implemented. The percentage of total office paper that is 50% recycled increased from 45% to 73%, and 31% of office products purchased from Corporate Express (our major office supplier) were "EarthSaver" products.

Water

To reduce our consumption of fresh water at head office, we installed water tanks with a capacity of 39,000 litres in 2008. To date, 1,760,000 litres of water have been captured and used to service the building - 401,000 in 2008/9, 692,000 in 2009/10 and 667,000 in 2010/11.

4. ETHICAL TRADE

We source clothing and accessories from various countries. In doing this, we consider the social and ethical implications of the manufacture of our products in those countries. All suppliers must be signatory to our Code of Labour Practice, which follows all relevant International Labour Organisation (ILO) conventions.

In addition, we have developed an Environmental Code of Practice (ECoP) for the Dyeing, Printing and Finishing of Goods supplied to us. This code aims to ensure that within existing technology, no 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.

Our Sustainable Packaging Policy and Guide aims to integrate sustainable principles into packaging design. The Policy and Guide have been communicated to design teams and primary product vendors and we work with vendors to identify and adopt more sustainable packaging options for our products where feasible.

The Directors of Country Road are committed to conducting the Company's business in accordance with high standards of corporate governance. The table below summarises the Company's compliance with the Australian Securities Exchange (ASX) Corporate Governance Council's (Council's) Principles and 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 and disclose those functions.	Yes	Page 08
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 10
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Page 08
2.1	A majority of the board should be independent directors.	No	Page 09
2.2	The Chairperson should be an independent director.	No	Page 09
2.3	The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 09
2.4	The board should establish a nomination committee.	No	Page 08
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 09
2.6	Companies should provide the Information as indicated in the Guide to reporting on Principle 2.	Yes	Page 08
3.1	Companies should 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 11
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy, or a summary of the policy.	Yes	Page 11
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Page 11
4.1	The board should establish an audit committee.	Yes	Page 10
4.2	The audit committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	No	Page 10
4.3	The audit committee should have a formal charter.	Yes	Page 10
4.4	Information as indicated in the Guide to reporting on Principle 4.	Yes	Page 10
5.1	Companies should 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 and disclose those policies or a summary of those policies.	Yes	Page 08
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Page 08
6.1	Companies should design a communications strategy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website / AGM
6.2	Companies should provide the information as indicated in the Guide to reporting on Principle 6.	Yes	Website
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 11
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.	Yes	Page 11
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 in relation to the reporting of financial reporting risks.	Yes	Page 11
7.4	Companies should provide the information as indicated in the Guide to reporting on Principle 7.	Yes	Page 11
8.1	The board should establish a remuneration committee.	Yes	Page 10
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	No	Page 10
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 10
8.3	Companies should provide the information as indicated in the Guide to reporting on Principle 8.	Yes	Page 10

Further information on the Company's corporate governance practices and policies are available on the Company's website at www.countryroad.com.au or maybe obtained on request from the Company Secretary at admin@countryroad.com.au.

BOARD FUNCTIONS

The Board is accountable to shareholders for overseeing the management and performance of Country Road, and is responsible for forming overall strategy and good governance practices.

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/Managing Director and the excecutive management committee. It is not considered practicable to disclose all matters delegated to the Chief Executive Officer/Managing Director and the executive management committee and therefore these matters may be implied as all matters other than those matters reserved specifically to the Board and its committees. The Board ensures that the executive management committee is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Board, the Chief Executive Officer/Managing Director and senior executives periodically.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees. The Board has established an Audit Committee and a Remuneration Committee. These specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The responsibilities of a nomination committee are fulfilled by the Board. The Board does 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 the Company and its shareholders as a whole, and seek reference and feedback from key advisors and third parties as and where appropriate.

The Board is responsible for ensuring that the executive teams 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 the relevant executive and monitoring progress against budget and the strategic plan; and
- Monitoring the performance of the executives and their implementation of approved strategic initiatives.

Other functions reserved to the Board include:

- Approval of the Code of Conduct to which all Directors, officers 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 and the Code of Conduct are 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, facilitates the workings of these mitigating processes. The Board has confidence that the Company's Constitution allows Directors to extinguish their responsibilities in acting in the best interests of all shareholders.

Mr Susman is Chairman of the Board, which does not comply with Recommendation 2.2. The Board does not believe Mr Susman's position as Deputy Chairman of the Company's ultimate controlling entity, 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.

As at the date of this report, the Directors of the Company, their current positions, and their tenure as Directors on the Board are:

Non-Executive Directors	Positions	Tenure
Simon Susman	Chairman, member of the Audit and Remuneration Committees	10 years, 9 months
Norman Thomson	Chairman of the Audit and Remuneration Committees	8 years, 7 months
Ian Moir	Member of the Audit and Remuneration Committees	12 years, 11 months

Executive Directors	Positions	Tenure
Howard Goldberg	Chief Executive Officer and Managing Director	7 months
Sophie Holt	Creative Director	1 year, 9 months
David Thomas	Chief Financial Officer and Company Secretary	1 year

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.

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. Rotation of external audit partners is governed by the internal policies of the auditor engaged. All members of the Audit Committee are Non-Executive Directors, which is considered by the Board as the most appropriate structure in the absence of independent Directors of the Board.

The members of the Audit Committee during the year were Mr Thomson (Chairman), Mr Moir and Mr 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 Company's ultimate controlling entity, Woolworths Holdings Limited, 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's 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.

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 key executives are 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.

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 which does not comply with Recommendation 8.2. Members of the Remuneration Committee during the year were Mr Thomson (Chairman), Mr Moir and Mr Susman. The 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 the Group Finance Director of the Company's ultimate controlling entity, Woolworths Holdings Limited, 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 paid is disclosed in the Remuneration Report contained within the Directors' Report. Details on the number of meetings held during the year and the attendees at those meetings are contained in the Directors' Report.

There is no scheme to provide retirement benefits to Non-Executive Directors. There were no equity-based incentive plans in the Company 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.

KEY MANAGEMENT PERSONNEL

The key management personnel determine, direct and control the Company's vision, values and corporate strategy. Key management personnel as at the date of this report are all Directors and the following executive positions:

Howard Goldberg
Chief Executive Officer and Managing Director

Sophie Holt
Creative Director and Executive Director

David Thomas
Chief Financial Officer, Company Secretary and Executive Director

Derek Muirhead
Group General Manager Merchandise

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 executives to the Board.

The Company's process of inherent business risk assessment process includes:

- Establishing the Company's goals and objectives and implementing and monitoring strategies 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 senior executives;
- 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 and mitigating risk, 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 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 the processes in place.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S STATEMENTS

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

- Their view 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
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

CODE OF CONDUCT

The Board recognises the need for Directors, 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 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 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.

SECURITIES TRADING POLICY

The Securities Trading Policy applies to all Directors, officers and employees ("CRL People") engaging in dealings in securities or in insider trading. The policy encourages CRL People to be long term holders of CRL securities and prohibits dealing in CRL securities for short term gain.

The policy states that CRL People can only trade in CRL securities, in the four weeks after the public announcement of the half-year, the full-year results or the Annual General Meeting. In exceptional circumstances, the Company Secretary may grant CRL People prior clearance to dispose of (but not acquire) CRL Securities.

Details of securities held by Directors at the date of this report are contained in the Directors' Report.

A copy of the Securities Trading Policy is available in the Corporate Governance section off the Company's website at www.countryroad.com.au and may be obtained on request from the Company Secretary at admin@countryroad.com.au.

DIVERSITY POLICY

The Board is committed to create a workplace that is fair and inclusive and to build a workforce which embraces the diversity of our customers, employees and community. The Company supports a workplace where employee differences in areas such as gender, age, disability, family responsibilities, ethnicity and cultural background are valued. Further, the Company supports a culture which promotes flexibility and work life balance. This support is demonstrated by providing flexible work options to encourage employees to balance work and family needs.

The Board has adopted the Diversity Policy to provide guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote workforce diversity across the Company.

DIRECTOR'S REPORT

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS

The details of Directors in office at the date of this report are:

Simon Susman (Non-Executive Director and Chairman)

Mr Susman was appointed to the Board on 6 December 2000. He is also a member of the Audit and Remuneration Committees. Mr Susman is currently the Deputy Chairman of Woolworths Holdings Limited (listed on the Johannesburg Stock Exchange). He joined Woolworths in 1982 after working at clothing and food retailer Marks and Spencer plc in London. At Woolworths he has led the retail operations, food and clothing groups and was appointed to the board in 1995. He became the Group Chief Executive Officer in 2000 and retired from this position in November 2010.

Howard Goldberg (Chief Executive Officer and Managing Director)

Mr Goldberg was appointed to the role of Chief Executive Officer and to the Board as Managing Director on 7 March 2011. He has over 30 years of senior executive management experience in retail and wholesale manufacturing industries in Australia. Mr Goldberg was previously the Managing Director of the General Pants Group. Prior to joining the General Pants Group, he was the CEO of Canterbury International Australasia.

Norman Thomson (Non-Executive Director)

Mr Thomson was appointed to the Board on 6 December 2000. He is also the Chairman of the Audit and Remuneration Committees. My Thomson is currently the Group Finance Director and an Executive Director of Woolworths Holdings Limited. 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 Chartered Accountant.

Ian Moir (Non-Executive Director)

Mr Moir was appointed to the Board on 23 October 1998. He is also a member of the Audit and Remuneration Committees. Mr Moir is currently the Chief Executive Officer and an Executive Director of Woolworths Holdings Limited. 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 Woolmark. He has a Masters Degree in Business Administration, a Masters Degree in Economics and is a Chartered Accountant.

Sophie Holt (Executive Director and Creative Director)

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

David Thomas (Executive Director, Chief Financial Officer and Company Secretary)

Mr Thomas was appointed to the Board on 29 September 2010. 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 of Business, Masters of Marketing and an Executive Certificate in Retailing.

COMPANY SECRETARY

David Thomas

Mr Thomas was appointed the Company Secretary on 24 July 2009.

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW, AND LIKELY DEVELOPMENTS

The consolidated operating profit before tax (PBT) for the financial year ended 30 June 2011 was $22,690,000, 30% higher than the previous year of $17,459,000. Country Road experienced challenging trading conditions throughout the year and the reported PBT for the year was impacted by the following events:

- A number of natural disasters experienced across Australia and New Zealand throughout the year. Queensland retail and concession stores were forced to close for periods during the floods and cyclones. Our stores in Christchurch and Albany New Zealand were significantly impacted by earthquakes and tornados and one Christchurch store is to remain closed indefinitely;
- Adverse trading conditions, combined with higher rental costs have resulted in an impairment charge for the year for underperforming stores;
- The settlement of legal proceedings brought against Country Road by former CEO John Cheston resulted in a payment to Mr Cheston;
- A complete review of supplier arrangements was conducted during the year, resulting in a recovery of past overcharges. This recovery was included in cost of sales; and
- The receipt of insurance proceeds from claims against insurable events are included in income.

For a more detailed review of operations and likely developments, refer to the Chairman's Report and Chief Executive Officer's Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, Country Road's operations in South Africa changed from a retail brand licensing arrangement to a concession arrangement through a foreign operated branch. As a result of the change in structure, all sales, margin and operating expenses are consolidated into the Group result. In the prior year, the profit from the South African operations was recognised through the retail licence and services fees.

DIVIDEND AND EARNINGS PER SHARE (EPS)

On 24 August 2011, the Directors announced the payment of a fully-franked final dividend of 12.93 cents per fully paid ordinary share (2010: 3.62 cents per share), which is scheduled to be paid on 28 September 2011. The record date for determining entitlement is 14 September 2011.

The total dividend composition is illustrated below:

Dividends per share	Year Ending 30 June 2011	Year Ending 30 June 2010
Interim dividend (cents per share)	5.64	5.19
Final dividend (cents per share)	12.93	3.62
Total dividend per share (cents per share)	18.57	8.81

Total dividends paid and proposed in respect of 2011 profits total 18.57 cents per share representing 110.8% increase on last year.

Earnings per share	Year Ending 30 June 2011	Year Ending 30 June 2010
Basic earnings per share (cents per share)	26.38	17.86

No adjustments are required to calculate Diluted EPS.

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 held and attended by the Company's Board of Directors and each Committee during the year were:

Name	Board of Directors		Subcommittees of Directors			
			Audit		Remuneration	
	Attended	Held*	Attended	Held*	Attended	Held*
Simon Susman	2	2	2	2	2	2
Norman Thomson	2	2	2	2	2	2
Ian Moir	2	2	2	2	2	2
Howard Goldberg[1]	1	1	–	–	–	–
Sophie Holt	1	2	–	–	–	–
David Thomas[2]	1	1	–	–	–	–
Glenn Gilzean[3]	1	1	–	–	–	–
John Cheston[4]	1	1	–	–	–	–

* 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

1 Appointed as Chief Executive Officer and Managing Director 7 March 2011.
2 Appointed as Executive Director 29 September 2010.
3 Resigned as Group General Manager – Retail Operations and Executive Director 29 September 2010.
4 Appointed as Chief Executive Officer and Managing Director 1 July 2010 and resigned 13 September 2010.

DIRECTORS' INTERESTS

Ms Holt holds 1,500 shares in the Company. Mr 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 capacity as Executive Directors of Woolworth Holdings Limited. As at the date of this report, the relevant interests held are:

Director	Ordinary Shares held directly or indirectly	Shares pursuant to the WHL Deferred Bonus Plan	Rights to shares pursuant to the WHL Appreciation Rights Scheme	Conditional share awards pursuant to the WHL Long Term Incentive Plan	Shares pursuant to the WHL Restricted Share Plan
Simon Susman	9,624,032	49,498	140,526	238,894	–
Ian Moir	1,184,000	71,217	205,291	348,996	–
Norman Thomson	3,262,394	39,136	406,731	142,578	119,938

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has provided to the Directors and Officers of the Company and its controlled entities an indemnity, as far as is allowable by law, against any liability arising as a result of work performed in their respective capacities as Directors and Officers. No monetary restriction has been placed on this indemnity. The company has paid insurance premiums of $8,749 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 key management personnel 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'.

Key management personnel determine, direct and control the Company's vision, values and corporate strategy. As at the date of this report, the key management personnel are all Directors and the following executive positions:

Howard Goldberg
Chief Executive Officer and Managing Director

Sophie Holt
Creative Director and Executive Director

David Thomas
Chief Financial Officer, Company Secretary and Executive Director

Derek Muirhead
Group General Manager Merchandise

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 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 2011 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 (ESTIP) and the Executive Long-Term Incentive Scheme (ELTIS).

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

Fixed Remuneration

Objective

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

Structure

Executives are given the opportunity to receive their fixed remuneration through a combination of cash and fringe benefits such as motor vehicles, merchandise and other eligible benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue 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 operation 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.

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 2011 as the 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.

Scheme Structure

The ELTIS scheme 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 first vest at the end of the 2011 financial year and are detailed in the remuneration tables below.

Employment Arrangements

Chief Executive Officer and Managing Director

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

- Mr Goldberg may resign from his position by providing the Company with six months written notice;
- The Company may terminate this agreement by providing six months written notice or provide payment in lieu of the notice period, based on the fixed component of Mr Goldberg's remuneration;
- The Company may terminate at any time without notice if serious misconduct has occurred; and
- Mr Goldberg is a participant in the Group's short-term and long-term executive incentive schemes.

Executives

All Executives are employed on standard employment contracts. The terms of employment are:

- The executive may resign from their position by providing the Company with either three or 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 ELTIS and ESTIP.

Group General Manager Merchandise

The Group General Manager Merchandise, Mr 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 2009, there was 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. No options were excercised during the period and 52,805 options remain with an expiry date of 3 January 2016.

Group Performance

The relation of rewards to performance of Directors and Executives is discussed above. Profit over the last five full financial years is presented in the table below. Group performance is also reflected in the movement of the Company's earnings per share (EPS) over time. Basic EPS history over the last five 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:

	2011	2010	2009	2008	2007
Profit before tax ($000's)	22,690	17,459	21,888	14,012	9,194
Profit after tax ($000's)	18,218	12,331	15,649	9,759	16,979
Reported basic earnings per share (cents per share)	26.38	17.86	22.66	14.13	24.59
Normalised basic earnings per share (cents per share)	26.38	17.86	22.66	14.13	9.27

Compensation of Key Management Personnel

Directors & Key Management Personnel		Short-term			Post Employment	Long Term		Termination Payments	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) Non Executive Director	**2011**	27,523	–	5,171	2,477	–	–		–	35,171	0%
	2010	385,870	–	61,126	25,000	275,627	(3,886)		–	743,737	37%
Simon Susman Non-Executive Director & Chairman	**2011**	97,500	–	1,121	–	–	–	–	–	98,621	0%
	2010	91,875	–	2,138	–	–	–	–	–	94,013	0%
Norman Thomson Non-Executive Director	**2011**	40,000	–	3,738	–	–	–	–	–	43,738	0%
	2010	39,166	–	5,000	–	–	–	–	–	44,166	0%
Glenn Gilzean (2) Executive Director & GGM Retail Operations	**2011**	202,998	–	13,356	5,770	–	(22,728)	–	–	199,396	0%
	2010	324,424	–	52,284	22,898	237,579	34,788	–	–	671,973	35%
Howard Goldberg (3) Managing Director & Chief Executive Officer	**2011**	187,450	–	1,309	16,272	–	–	–	–	205,031	0%
	2010	–	–	–	–	–	–	–	–	–	0%
David Thomas (4) Executive Director & Chief Financial Oficer	**2011**	226,941	–	43,922	15,199	207,454	4,482	–	–	497,998	42%
	2010	216,541	–	31,403	14,461	–	12,413	–	–	274,818	0%
Sophie Holt (5) Executive Director & Creative Director	**2011**	446,660	–	25,995	25,000	282,002	(35,387)	–	–	744,270	38%
	2010	450,091	–	40,824	23,889	(200,580)	64,286	–	–	378,510	(53%)
John Cheston (6) Managing Director & Chief Executive Officer	**2011**	207,169	–	4,309	–	–	–	1,100,000	–	1,311,478	0%
	2010	–	–	–	–	–	–	–	–	–	0%
Derek Muirhead GGM Merchandise	**2011**	348,516	–	35,638	31,366	253,667	–	–	–	669,187	38%
	2010	344,116	–	37,183	30,971	328,956	–	–	50,925	792,151	42%
Oliver Kysela (7) Company Secretary & Chief Financial Officer	**2011**	–	–	–	–	–	–	–	–	–	0%
	2010	132,514	–	2,092	14,894	–	648	–	–	150,148	0%
Total Remuneration	**2011**	1,784,757	–	134,559	96,084	743,123	(53,633)	1,100,000	–	3,804,890	20%
	2010	1,984,597	–	232,050	132,113	641,582	108,249	–	50,925	3,149,516	20%

(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 and Managing Director 31 December 2009.
(2) Resigned as Group General Manager – Retail Operations and Executive Director 29 September 2010.
(3) Appointed as Chief Executive Officer and Managing Director 7 March 2011.
(4) Appointed as Executive Director 29 September 2010.
(5) Appointed as Executive Director 1 January 2010.
(6) Appointed as Chief Executive Officer and Managing Director 1 July 2010 and resigned 13 September 2010.
(7) Resigned 9 October 2009.

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. Non-audit services provided by Ernst & Young is disclosed in Note 17 of the Financial Statements.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1000 (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

21 September 2011
Melbourne, Victoria

HOWARD GOLDBERG
Managing 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 2011, 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
21 September 2011

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 2011 and of their performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
   (c) 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 2011.
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

21 September 2011
Melbourne, Victoria

HOWARD GOLDBERG
Managing Director
Chief Executive Officer

		Consolidated	
		2011	2010
	Note	$000's	$000's
Revenue	2(a)	423,791	381,219
Cost of sales	2(b)	(171,256)	(164,789)
Gross profit		252,535	216,430
Employment expenses		(97,352)	(85,755)
Occupancy expenses		(80,373)	(70,603)
Depreciation and impairment expenses	2(c)	(16,297)	(11,247)
Marketing expenses		(14,147)	(13,535)
Other expenses		(20,889)	(17,234)
		(229,058)	(198,374)
Profit before finance expenses and income tax expense		23,477	18,056
Finance expenses	2(d)	(787)	(597)
Profit before income tax expense		22,690	17,459
Income tax expense	3(a)	(4,472)	(5,128)
Net profit for the period		18,218	12,331
Basic earnings per share (cents per share)	1(t)	26.38	17.86
Diluted earnings per share (cents per share)	1(t)	26.38	17.86

		Consolidated	
		2011	2010
	Note	$000's	$000's
CURRENT ASSETS			
Cash and cash equivalents	4	14,899	2,466
Trade and other receivables	5	7,685	7,438
Inventories	6	48,085	39,113
Income tax receivables		1,177	941
Prepayments		1,519	1,063
Derivative financial instruments	25(h)	232	2,294
Total current assets		73,597	53,315
NON-CURRENT ASSETS			
Receivables	7	–	15
Plant and equipment	8	53,436	56,072
Intangible assets	9	11,315	11,293
Deferred tax assets (net)	3(c)	10,737	8,189
Prepayments		195	310
Total non-current assets		75,683	75,879
Total assets		149,280	129,194
CURRENT LIABILITIES			
Trade and other payables	10	36,288	27,738
Interest-bearing loans and borrowings	11	–	3,000
Provisions	12	7,009	7,574
Derivative financial instruments	25(h)	7,738	1,911
Total current liabilities		51,035	40,223
NON-CURRENT LIABILITIES			
Provisions	13	6,521	4,179
Total non-current liabilities		6,521	4,179
Total liabilities		57,556	44,402
Net assets		91,724	84,792
EQUITY			
Contributed equity	14	74,087	74,087
Reserves	15	(5,087)	(196)
Retained profits	15	22,724	10,901
Total equity		91,724	84,792

		Consolidated	
		2011	2010
	Note	$000's	$000's
Net profit for the period		18,218	12,331
Other comprehensive income			
Foreign currency translation differences for foreign operations	15	(569)	13
Effective portion of changes in fair value of cash flow hedges (net of tax)	15	(4,322)	6,665
Other comprehensive income for the period, net of income tax		(4,891)	6,678
Total comprehensive income for the period		13,327	19,009

	Ordinary Shares $000's	Hedge Reserve $000's	FCTR $000's	Retained Earnings $000's	Total $000's
At 1 July 2010	74,087	571	(767)	10,901	84,792
Profit for the period	–	–	–	18,218	18,218
Other comprehensive income	–	(4,322)	(569)	–	(4,891)
Total comprehensive income for the period	–	(4,322)	(569)	18,218	13,327
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(6,395)	(6,395)
At 30 June 2011	74,087	(3,751)	(1,336)	22,724	91,724
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

	Note	Consolidated 2011 $000's	2010 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		455,525	410,933
Payments to suppliers and employees		(426,656)	(400,939)
Interest received		371	195
Insurance recoveries		526	–
Retail services fee revenue from related party		2,325	–
Retail licence fee revenue from related party		1,312	2,903
Agency fee revenue from related party		7,007	–
Other revenue		650	718
Interest and other costs of finance paid		(787)	(597)
Rental income		563	622
Income taxes and withholding taxes paid		(4,928)	(12,589)
Net cash flows from operating activities	23	35,908	1,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		12	8
Payments for the acquisition of plant and equipment		(14,042)	(18,396)
Net cash flows used in investing activities		(14,030)	(18,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		–	3,000
Repayment of borrowings		(3,000)	–
Dividend payments		(6,395)	(9,197)
Net cash flows used in financing activities		(9,395)	(6,197)
Net increase (decrease) in cash and cash equivalents		12,483	(23,339)
Cash and cash equivalents at beginning of period		2,466	25,804
Net foreign exchange difference		(50)	1
Cash and cash equivalents at end of period	4	14,899	2,466

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Country Road Limited (the parent company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of Country Road Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors' on 21 September 2011.

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 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 2011.

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, in assessing business performance.

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. Country Road Ventures Pty Ltd, an Australian subsidiary of Country Road Limited, operates a branch in South Africa. The functional currency of the branch is South African rand. The results of the South African branch 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

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or where no further future economic benefits are expected from its use or disposal.

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 profit 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 life 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 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 between 30 and 45 days of recognition.

(o) Interest-bearing loans and borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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;
- 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 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 deriviative, 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations

The Group has adopted numerous new and amended Australian Accounting Standards and AASB interpretations as of 1 July2010. There have been no material impacts on the Group's financial statements.

Accounting standards and interpretations issued but not yet effective

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 2011, but have not been applied in preparing this financial report:

Amendment/ New	Affected Standards	Application Date of Standard	Application Date for Group	Accounting Policy Impact
New	AASB 9 Financial Instruments	1 January 2013	1 July 2013	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 impact 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. These amendments arise from the issuance of AASB 9 Financial Instruments and can only be applied once AASB 9 is applied. The amendments are not expected to have any impact 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.
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.
New	AASB 1054 Australian Additional Disclosures	1 July 2011	1 July 2011	This standard is a consequence of the Trans-Tasman convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises specific disclosures. The application of this standard is not expected to have any measurement implications for the Group but may result in changes to disclosures 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
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 the Group but may result in changes to disclosures in the Group's financial report.
Amendment	AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	1 January 2011	1 July 2011	This standard makes numerous editorial amendments to a range of Australian Accounting Standards and interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. The amendments are not expected to have any measurement implications for the Group but may result in changes to disclosures in the Group's financial report.
New	AASB 10 Consolidated Financial Statements	1 January 2013	1 July 2013	This standard establishes a new control model that applies to all entities. This standard will have no significant implications to the Group.
New	AASB 12 Disclosure of Interests in Other Entities	1 January 2013	1 July 2013	This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. This standard will have no significant implications to the Group.
New	AASB 13 Fair Value Measurement	1 January 2013	1 July 2013	This standard establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. This standard will have no significant implications to the Group.

		Note	Consolidated 2011 $000's	Consolidated 2010 $000's
2	**REVENUES AND EXPENSES**			
(a)	**Revenue**			
	Sales revenue			
	Sale of goods		411,652	372,120
	Royalties		1,479	1,024
			413,131	373,144
	Other revenue			
	Tender forfeits		404	386
	Rent revenue		563	622
	Interest revenue		371	195
	Insurance recoveries		1,978	–
	Retail services fee revenue from related party		–	2,325
	Retail licence fee revenue from related party		–	4,215
	Agency fee revenue from related party	19	7,007	–
	Other		337	332
			423,791	381,219
(b)	**Cost of sales**			
	Costs of inventories recognised as an expense		170,937	164,865
	Adjustments to net realisable value of inventories		319	(76)
			171,256	164,789
	During the year a complete review of supplier arrangements was conducted, resulting in a recovery of past overcharges. This recovery has been in included in cost of sales.			
(c)	**Expenses**			
	Depreciation and impairment expenses			
	Depreciation expense		12,932	11247
	Impairment expense		3,365	–
			16,297	11,247
	Operating lease expenses			
	Minimum rental payments		70,206	60,516
	Contingent rentals		141	969
			70,347	61,485
	Defined contribution superannuation expense		8,038	7,081
	Net loss on disposal of plant and equipment		234	238
(d)	**Finance expenses**			
	Interest paid to banks and other financial institutions		455	463
	Facility fees		332	134
			787	597

	Consolidated 2011 $000's	2010 $000's
3 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax	(4,684)	(3,147)
Deferred tax	212	(1,981)
Income tax expense	(4,472)	(5,128)
Deferred income tax revenue (expense) included in income tax expense comprises:		
(Decrease) increase in deferred tax assets	2,393	(2,030)
Decrease (increase) in deferred tax liabilities	(2,181)	49
	212	(1,981)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	22,690	17,459
Prima facie tax thereon at 30% (2010: 30%)	(6,807)	(5,238)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non-allowable expenses	(132)	(84)
Non-assessable income	2,015	–
Effect on different rates of tax on overseas taxable income	(126)	–
Research & development deduction	159	–
Investment allowance	–	211
Adjustment to prior period provision	423	3
Other	(4)	(20)
Income tax expense	(4,472)	(5,128)
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Depreciation and impairment	4,765	3,891
Employee benefits	3,135	2,248
Lease incentives	–	269
Lease liabilities	1,876	993
Inventories	1,571	1,340
Cash flow hedges	2,321	–
Other	163	349
	13,831	9,090
Movements:		
Opening balance at beginning of period	9,090	13,772
Credited (charged) to the income statement	2,393	(2,030)
Credited (charged) directly to equity (cash flow hedges)	2,348	(2,652)
	13,831	9,090
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Lay-by sales	68	50
Prepayments	148	222
Inventories	1,998	180
Lease assets	4	10
Research & development	671	176
Cash flow hedges	58	46
Other	147	217
	3,094	901
Movements:		
Opening balance at beginning of period	901	904
(Credited) charged to the income statement	2,181	(49)
(Credited) charged directly to equity (cash flow hedges)	12	46
	3,094	901
Net deferred tax assets	10,737	8,189

	Consolidated 2011 $000's	Consolidated 2010 $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% (2010: 30%)		
Foreign currency translation	100	(2)
Undistributed earnings	(632)	(475)
	(532)	(477)

A deferred tax asset has not been recognised in respect of temporary differences arising from translation of the financial statements of the Group's New Zealand subsidiary, Country Road Clothing (NZ) Ltd. The deferred tax asset will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

Country Road Clothing (NZ) Ltd has undistributed earnings of $4,143,587 (2010: $3,169,529) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

(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

	2011 $000's	2010 $000's
Cash at bank and in transit	4,515	788
Cash on hand	79	108
Short term deposits	10,305	1,570
	14,899	2,466

Cash includes deposits with financial institutions, attracting floating interest rates. The average yield at balance date was 4.17% (2010: 3.19%) per annum. Short term deposits are at call and earn interest at 4.77% (2010: 3.78%) per annum.

		Consolidated 2011 $000's	Consolidated 2010 $000's
5	TRADE AND OTHER RECEIVABLES (CURRENT)		
	Trade receivables	5,652	2,851
	Related party receivables		
	Trade receivables	790	3,185
	Other receivables	–	1,312
		790	4,497
	Other receivables	1,243	90
		7,685	7,438
	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	6,426	3,013
	Past due 31 - 60 days	3	357
	Past due 61 - 90 days	–	254
	Past due > 90 days	13	2,412
		6,442	6,036
	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	48,085	39,113
		48,085	39,113
7	RECEIVABLES (NON-CURRENT)		
	Other receivables	–	15
		–	15
8	PLANT AND EQUIPMENT		
	Leasehold improvements		
	At cost	34,164	31,792
	Accumulated depreciation and impairment	(21,255)	(16,682)
		12,909	15,110
	Fixtures, fittings and equipment		
	At cost	108,682	97,642
	Accumulated depreciation and impairment	(74,330)	(64,180)
		34,352	33,462
	Capital works in progress	6,175	7,500
		53,436	56,072

	Consolidated 2011 $000's	2010 $000's
8 PLANT AND EQUIPMENT (continued)		
Reconciliations		
Leasehold improvements		
Carrying amount at the beginning of the year	15,110	13,535
Foreign currency translation impact on opening balance	(40)	2
Additions during the year	3,039	5,014
Disposals during the year	(105)	(158)
Depreciation and impairment expense	(5,095)	(3,283)
Carrying amount at the end of the year	12,909	15,110
Fixtures, fittings and equipment		
Carrying amount at the beginning of the year	33,462	26,979
Foreign currency translation impact on opening balance	(59)	2
Additions during the year	12,280	14,533
Disposals during the year	(129)	(88)
Depreciation and impairment expense	(11,202)	(7,964)
Carrying amount at the end of the year	34,352	33,462
Capital works in progress		
Carrying amount at the beginning of the year	7,500	6,649
Foreign currency translation impact on opening balance	105	-
Additions during the year	13,194	9,793
Transfers to other categories	(14,624)	(8,942)
Carrying amount at the end of the year	6,175	7,500

Impairment tests for plant and equipment

The recoverable amount was estimated for all assets within the retail store cash-generating units. The recoverable amount estimation was based on a value in use calculation and was determined at the cash-generating unit level, over its remaining lease term. Adverse trading conditions, combined with higher rental expenses resulted in an impairment expense of $3,365,000 for the period to reduce the carrying amount of plant and equipment to recoverable amount, assuming a pre-tax discount rate of 15% and a growth rate of between 3% and 5% depending on the business risk of each cash-generating unit.

	2011	2010
9 INTANGIBLE ASSETS		
Trade names	11,315	11,293
At cost	11,315	11,293
Reconciliations		
Trade names		
Carrying amount at the beginning of the year	11,293	11,277
Additions during the year	22	16
	11,315	11,293

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% (2010: 2.5%);
- discount rates - the pre-tax discount rate applied to the cash flow projection is 18.8% (2010: 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 2.0% (2010: 3.9%).

With regard to the assessment of value in use, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the trade names to materially exceed its recoverable amount.

		Consolidated	
		2011 $000's	2010 $000's
10	**TRADE AND OTHER PAYABLES (CURRENT)**		
	Trade payables	20,378	15,581
	Other payables	15,910	12,157
		36,288	27,738
11	**INTEREST BEARING LIABILITIES (CURRENT)**		
	Money market borrowings	–	3,000
		–	3,000
12	**PROVISIONS (CURRENT)**		
	Lease incentives	444	213
	Leases expensed on straight line basis	121	496
	Employee benefits	6,440	6,860
	Dividends	4	5
		7,009	7,574
	Movements: Refer to Note 13.		
13	**PROVISIONS (NON-CURRENT)**		
	Lease incentives	2,550	685
	Leases expensed on straight line basis	3,138	2,815
	Employee benefits	833	679
		6,521	4,179

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	898	3,311	4,209
Movement in provision during the period	2,096	(52)	2,044
Balance at end of financial year	2,994	3,259	6,253
Non-current	2,550	3,138	5,688
Current	444	121	565
	2,994	3,259	6,253

	Consolidated 2011 $000's	Consolidated 2010 $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

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group is not subjective to any imposed capital requirements.

	2011 $000's	2010 $000's
Dividends paid		
Dividends on ordinary shares:		
Final franked dividend for 2010 at 3.62 cents per share	2,500	5,614
Interim franked dividend for 2011 at 5.64 cents per share	3,895	3,584
	6,395	9,198
Dividends not recognised at year end		
Since year end the Directors have determined the payment of a final dividend of 12.93 cents per fully paid ordinary share, (2010: 3.62 cents) fully franked based on tax paid at 30%. The aggregate amount of the dividend scheduled to be paid on 28 September 2011 out of profits earned in respect of the financial year ending 30 June 2011, but not recognised as a liability at year end, is	8,929	2,500
Franked dividends		
Franking credits available for future reporting periods based on a tax rate of 30%	18,610	19,109

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 $3,827,000 (2010: $1,071,000).

	2011	2010
Basic earnings per share		
Profit attributable to the equity holders of the company (cents per share)	26.38	17.86
Profit attributable to the equity holders of the company used in calculating basic earnings per share	18,218	12,331
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 2011 $000's	Consolidated 2010 $000's
15 RETAINED PROFITS AND RESERVES		
Retained profits	22,724	10,901
Reserves		
Exchange differences on translation of foreign operations	(1,336)	(767)
Hedging reserve - cash flow hedges	(3,751)	571
	(5,087)	(196)
Movements:		
Retained profits		
Balance at beginning of financial year	10,901	7,768
Dividends paid	(6,395)	(9,198)
Net profit for the year	18,218	12,331
Balance at end of financial year	22,724	10,901
Exchange differences on translation of foreign operations		
Balance at beginning of financial year	(767)	(780)
Exchange differences on translation of foreign operations during period	(569)	13
Balance at end of financial year	(1,336)	(767)
Hedging reserve - cash flow hedges		
Balance at beginning of financial year	571	(6,094)
Revaluation - gross	(6,658)	9,363
Deferred tax	2,336	(2,698)
Balance at end of financial year	(3,751)	571

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:

	2011 $000's	2010 $000's
Within one year	4,227	4,072
	4,227	4,072

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:

	2011 $000's	2010 $000's
not later than one year	65,459	63,073
later than one year but not later than five years	215,006	135,275
later than five years	48,859	29,796
	329,324	228,144

		Consolidated 2011 $000's	Consolidated 2010 $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		162	339
later than one year but not later than five years		–	162
		162	501
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		$251,750	$200,000
– other services in relation to the entity and any other entity in the Group		$68,058	$11,930
		$319,808	$211,930
18 FINANCING ARRANGEMENTS			
The Group had access to the following financing arrangements:			
External financial institutions:		$000's	$000's
Cash advance facility	(i)	20,000	10,000
Trade finance facility	(i)	4,500	9,500
Bank overdraft	(i)	500	500
Total facilities available		25,000	20,000
Facilities used at reporting date:			
Cash advance facility		–	3,000
Total drawn facilities		–	3,000
Total undrawn facilities		25,000	17,000

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 2011 %	Total Equity Interest 2010 %
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		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:

	2011 $000's	2010 $000's
(i) **Income Statement**		
Profit before income tax expense	17,486	16,464
Income tax expense	(2,695)	(4,827)
Net profit for the period	14,791	11,637
Retained profits at beginning of period	28,667	26,228
Dividends provided for or paid	(6,395)	(9,198)
Retained profits at end of period	37,063	28,667
(ii) **Balance Sheet**		
CURRENT ASSETS		
Cash and cash equivalents	10,842	1,934
Trade and other receivables	4,502	10,711
Inventories	36,878	36,567
Other assets	12,216	3,318
Total current assets	64,438	52,530
NON-CURRENT ASSETS		
Receivables	–	15
Investments	479	479
Plant and equipment	49,705	53,881
Intangible assets	11,315	11,293
Other	13,514	8,959
Total non-current assets	75,013	74,627
Total assets	139,451	127,157
CURRENT LIABILITIES		
Trade and other payables	28,034	31,207
Borrowings	–	3,000
Provisions	13,885	9,829
Derivative financial instruments	7,738	1,911
Total current liabilities	49,657	45,947
NON-CURRENT LIABILITIES		
Other payables	5,652	3,399
Provisions	3,886	1,568
Total non-current liabilities	9,538	4,967
Total liabilities	59,195	50,914
Net assets	80,256	76,243
EQUITY		
Contributed equity	43,193	47,576
Retained profits	37,063	28,667
Total equity	80,256	76,243

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 $5,688,281 to Country Road Clothing Pty Ltd (2010: $4,752,661) and $102,967 to Country Road International Pty Ltd (2010: $78,423).

(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, also on normal commercial terms and conditions.

(d) A dividend of $8,250,000 (2010: $5,500,000) was declared on 24 June 2011 from Country Road Clothing Pty Ltd to Country Road Limited. The dividend is payable on 30 September 2011.

(e) Current tax payable assumed by Country Road Limited from wholly owned tax consolidated entities for the year was $2,687,512 (2010: $3,650,290). The terms and conditions of the tax funding agreement are set out in Note 3(e).

Related party transactions – Concession agreement

(a) During the year Country Road Ventures Pty Ltd, a wholly owned subsidiary of Country Road Limited, entered into a concession agreement with Woolworths Pty Ltd, a wholly owned subsidiary of Woolworths Holdings Limited, relating to South African operations which took effect from 1 July 2010. The terms of this agreement were reviewed by an independent external advisor, and the Board (excluding those who are Woolworths executives) considers they satisfy the requirements of the Corporations Act 2001. In accordance with the terms of the agreement, during the year Country Road Ventures Pty Ltd:

(i) Paid concession rental and services fees totalling $7,921,511 (2010: Nil).

(ii) Received agency fee revenue for the sale of inventory owned by Woolworths Pty Ltd totalling $7,006,542 (2010: Nil).

(iii) At 30 June 2011 the balance receivable from Woolworths Pty Ltd was $718,681 (2010: $4,496,635).
Outstanding balances at year end are unsecured, interest free, and settlement occurs in cash.
For the year ended 30 June 2011, the Group has not made any allowance for impairment loss relating to amounts owed by related parties as the debt was receipted subsequent to reporting date (2010: Nil).

(iv) At 30 June 2011 the balance payable to Woolworths Pty Ltd was $4,891,573 (2010: Nil). Outstanding balances at year end are current and settlement occurs in cash.

Other related party transactions

(a) To transition to the terms of the concession agreement, the Group sold inventory to Woolworths Pty Ltd totalling $767,491 (2010: $455,256). Transactions were arm's length and on normal commercial terms.

(b) During the year the Group charged consulting services fees to Woolworths Pty Ltd on arms length and normal commercial terms and conditions. Amounts charged during the year totalled $71,000 (2010: Nil).

(c) During the year the Group paid $174,076 in annual software licence and support fees to Woolworths Pty Ltd. The fees were arms length and on normal commercial terms and conditions.

(d) Dividends were paid to Woolworths International (Australia) Pty Ltd during the year of $5,619,744 (2010: $8,083,693) from the parent entity on the same terms and conditions that applied to other shareholders.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel duting the year were:

- Simon Susman (Non-Executive Director and Chairman)
- Ian Moir (Non-Executive Director)
- Norman Thomson (Non-Executive Director)
- Howard Goldberg (Chief Executive Officer and Managing Director – appointed 7 March 2011)
- Sophie Holt (Executive Director and Creative Director)
- David Thomas (Executive Director, Chief Financial Officer and Company Secretary – appointed 29 September 2010)
- Glenn Gilzean (Executive Director and Group General Manager Retail – resigned 29 September 2010)
- John Cheston (Chief Executive Officer and Managing Director – appointed 1 July 2010 and resigned 13 September 2010)
- Derek Muirhead (Group General Manager Merchandise)

	Consolidated	
Compensation for Key Management Personnel	2011 $	2010 $
Short-term employee benefits	$1,919,316	$2,216,647
Post-employment benefits	$96,084	$132,113
Other long term benefits	$689,490	$749,831
Termination benefits	$1,100,000	–
Share-based payments	–	$50,925
	$3,804,890	$3,149,516

Option Holdings of Key Management Personnel

Country Road does not provide any options in Country Road Limited Shares to any of its Key Management Personnel.

One Country Road Executive has 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.

The details of these options as at the balance date provided in South African Rand (R) are as follows:

- On 3 January 2006 Mr Muirhead was granted 264,025 options at an exercise price of R14.11, at a fair value in Australian dollars of $267,066. 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. No options were exercised during the period and 52,805 options remain with an expiry date of 3 January 2016.

The Non-Executive Directors have been granted options in Woolworths Holdings Limited through their participation in various executive share and option plans in their capacity as Executive Directors of Woolworths Holdings Limited. These options were granted by Woolworths Holdings Limited and do not form part of the remuneration payable by Country Road Limited. Details of these options holdings are disclosed in the Directors' Report.

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

2011

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

2010

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	
	2011	2010
Reconciliation of operating profit after income tax to net cash flows from operating activities	$000's	$000's
Operating profit after income tax	18,218	12,331
Add non-cash items		
Depreciation and impairment	16,297	11,247
Net fair value change in derivatives	39	(212)
Lease incentive amortisation	2,096	(138)
Adjustments to net realisable value of inventories	(319)	76
Disposal of plant and equipment	234	238
Net foreign currency translation (gains)/losses	163	(55)
Straight line lease amortisaton	(31)	(74)
Changes in:		
Trade and other receivables	(232)	(4,047)
Inventories	(8,653)	(431)
Other assets	1,682	(1,063)
Deferred tax assets	(2,548)	4,679
Trade and other payables	8,550	(3,527)
Income tax receivable	(236)	(9,353)
Provision for employee benefits	(266)	(7,958)
Other provisions	(22)	552
Other liabilities	5,827	(7,752)
Reserves	(4,891)	6,733
Net cash flows from operating activities	35,908	1,246

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
2011				
Sales to external customers	410,884	767	–	411,651
Other revenue from external customers	7,411	1,479	–	8,890
Total segment revenue	418,295	2,246	–	420,541
Reportable segment profit before tax	73,642	1,257	–	74,899
Interest revenue	–	–	371	371
Finance costs	–	–	(787)	(787)
Depreciation and impairment	13,236	237	2,824	16,297
Reportable segment assets	87,978	1,609	-	89,587
Capital expenditure	12,357	–	1,689	14,046
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 and impairment	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

	Consolidated 2011 $000's	Consolidated 2010 $000's
24 OPERATING SEGMENTS (continued)		
Reconciliation of reportable segment information		
Total segment revenue	420,541	380,069
Other revenue from continuing operations	3,250	1,150
Total revenue per income statement	423,791	381,219
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	338,550	343,546
New Zealand	31,110	30,678
South Africa	54,131	6,995
Total revenue	423,791	381,219
Reconciliation of reportable segment net profit before income tax		
Segment net profit before income tax	74,899	79,033
Other income	3,250	1,150
Unallocated amounts - other corporate expenses	(55,459)	(62,724)
Net profit before income tax	22,690	17,459
Reconciliation of reportable segment assets		
Segment assets	89,587	85,284
Derivative assets	232	2,294
Deferred tax assets	13,831	9,090
Unallocated assets	45,630	32,526
Total assets	149,280	129,194
The analysis of the location of non-current assets other than financial instruments, and deferred tax assets is as follows		
Australia	61,204	65,461
New Zealand	3,077	2,229
South Africa	665	–
Total assets	64,946	67,690

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	
	2011 $000's	2010 $000's
Financial assets		
Cash and cash equivalents	14,899	2,466
Financial liabilities		
Money market borrowings	–	(3,000)
Net exposure	14,899	(534)

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	Other Comprehensive Income Higher/(Lower) $000's
2011		
+0.50% (50 basis points)	(6)	–
+0.25% (25 basis points)	(3)	–
-0.25% (25 basis points)	3	–
-0.50% (50 basis points)	6	–
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	–

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 2011, 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	14,899	14,899	–	–	–
Trade and other receivables	7,685	7,672	13	–	–
Derivative financial instruments - inflows	16,451	2,544	13,907	–	–
Derivative financial instruments - outflows	(16,220)	(2,523)	(13,697)	–	–
	22,815	22,592	223	–	–
Financial liabilities					
Trade and other payables	36,288	36,288	–	–	–
Derivative financial instruments - outflows	85,401	23,953	61,448	–	–
Derivative financial instruments - inflows	(77,663)	(20,200)	(57,463)	–	–
	44,026	40,041	3,985	–	–
Net maturity	(21,211)	(17,449)	(3,762)	–	–

At reporting date, the Group had not utilised any available borrowing facilities (2010: $3,000,000). $25,000,000 (2010: $17,000,000) 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 and inflation swap contracts.

Trade and other payables

(i) Trade creditors are non-interest bearing and are normally settled on terms of between 30 and 45 days.
(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 and ZAR/USD exchange rates. 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 89% of its highly probable forecast USD purchases, and 72% of its highly probable forecast EUR purchases extending to 21 June 2012.

The Group also has transactional currency exposures arising from transacting with its New Zealand operations in its functional currency of New Zealand dollars (NZD), and with its South African operations in South African rand (ZAR). 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 and the AUD/ZAR 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 foreign operations are impacted by fluctuations in the AUD/NZD and AUD/ZAR exchange rates.

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	
	2011 $000's	2010 $000's
Financial liabilities		
Trade payables - USD	8,620	9,381
Trade payables - EUR	117	135
Net exposure	8,737	9,516

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	Other Comprehensive Income Higher/(Lower) $000's
2011		
AUD/USD +5.0%	–	(2,481)
AUD/EUR +5.0%	–	(28)
AUD/USD -5.0%	–	2,735
AUD/EUR -5.0%	–	31
2010		
AUD/USD +5.0%	–	(2,943)
AUD/EUR +5.0%	–	(55)
AUD/USD -5.0%	–	3,259
AUD/EUR -5.0%	–	62

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, David Jones Limited and Woolworths Pty Ltd.

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	
	2011 $000's	2010 $000's
New customers	–	–
No default customers	7,685	7,453
Net exposure	7,685	7,453

(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 in 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	Other Comprehensive Income Higher/(Lower) $000's
2011		
If CPI was 3.5%	56	–
If CPI was 3.0%	16	–
If CPI was 2.0%	(63)	–
2010		
If CPI was 2.5%	175	–
If CPI was 2.0%	57	–
If CPI was 1.5%	(61)	–

(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 2011 $000's	Consolidated 2010 $000's
Current assets		
Forward currency contracts - cash flow hedges	39	2,062
Inflation swap contracts	193	232
	232	2,294
Current Liabilities		
Forward currency contracts - cash flow hedges	7,738	1,911
	7,738	1,911

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 2011 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
2011			
Aggregate foreign currency value of contracts	85,823	684	
Weighted average foreign exchange rate	0.9624	0.6972	
Aggregate value of contracts in Australian dollars	89,177	981	
Fair value at reporting date	81,521	938	
Net gain/(loss) on revaluation taken to reserves	(7,656)	(43)	(7,699)
Net gain/(loss) on revaluation taken to the income statement	–	–	–
Total gain/(loss) on revaluation	(7,656)	(43)	(7,699)
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

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 60% 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 2011, a gain of $192,869 (2010: Gain of $232,131) was recognised in the income statement.

26 PARENT ENTITY FINANCIAL INFORMATION

	Parent Entity	
	2011	2010
	$000's	$000's
Balance Sheet		
Current assets	8,800	4,216
Non current assets	79,386	76,575
Total assets	88,186	80,791
Current liabilities	–	4
Non current liabilities	–	–
Total liabilities	–	4
Shareholders Equity		
Contributed equity	74,087	74,087
Reserves	–	–
Retained profits	14,099	6,700
	88,186	80,787
Profit for the year	13,795	10,109
Total comprehensive income for the year	13,795	10,109

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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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with *Accounting Standard AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Country Road Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
21 September 2011

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
Holding less than a marketable parcel:	61	4,299

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	25,479	0.04
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	Mr Juan Carlos Fuentes	4,695	0.01
11	Mrs Anastasios Atgiaras & Mrs Ifigenia Atgiaras	4,579	0.01
12	Mr Brad Cumming <The B&L Cumming Super Fund>	3,900	0.01
13	Mr Mark Tomlinson	3,547	0.01
14	Gilmour Investments (Vic) Pty Ltd <M Gilmour Super Fund>	3,425	<0.01
15	Mr John Allan Dawkins + Mrs Christine Gould Dawkins <J + C Dawkins Super Fund>	2,960	<0.01
16	Mrs Barbara McNally	2,950	<0.01
17	Mr Avdyl Agushi + Mrs Luma Agushi <Future Ind Retirement Fund>	2,500	<0.01
18	Mr John Armit	2,300	<0.01
19	Mrs Mary Rosa Wilson	2,241	<0.01
20	Mr Brad Cumming <Emily & Georgie Cumming A/C>	2,222	<0.01
		68,985,850	99.90

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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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