

# **COUNTRY ROAD**

**3 NOVEMBER 2011**

## **ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE**

### **CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

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, operating expenses and ultimately profit are consolidated into the group result.

Our Australian and New Zealand operations were significantly impacted by natural disasters 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.

As ever in a retail business, our sales also reflect the appropriateness of our merchandise to our customers in the increasingly competitive retail environment in which we trade. Howard Goldberg and his team are focused strongly on improving our ranges in this context.

Throughout the year there was a strong continued focus on expense reduction and improved inventory management which 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 \$22.7 million.

The cash position improved to close the year \$13 million better than the prior year with \$12.5 million 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 Managing Director and CEO, 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.

Today I am standing for re-election to the Country Road Board. I am also standing for re-election as a director of Woolworths Holdings Ltd at the Woolworths Annual General Meeting on 17 November 2011. Subject to that re-election, it is the current intention that I replace Woolworths' retiring Chairman, Mr Buddy Hawton, immediately following the Woolworths Annual General Meeting. I would like to advise shareholders that, in those circumstances, my continuing roles as a Country Road Director and Chairman will need to be reconsidered in light of those new responsibilities.

**For further information, please contact:**

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