

## STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE

17 FEBRUARY 2005

### COUNTRY ROAD (CTY) HALF YEAR RESULTS

#### **Highlights**

- Net profit after tax \$1.6m (\$0.5m last year)
- Retail sales 10.1% higher than last year
- Wholesale sales flat on last year (last year includes David Jones)
- Total sales 4.6% higher than last year
- Cash on hand of \$14.3m at year end (last year \$7.3m)
- Part re-payment of Woolworths loan scheduled for end of February 2005

#### **Profitability**

Country Road reported a profit before borrowing costs and tax of \$2.0m for the 6 months ended 31 December 2004. Borrowing costs were \$0.4m (2003 - \$0.5m) and no income tax expense was incurred

Net profit after tax was \$1.6m, which represented an improvement of \$1.1m compared to the prior year.

#### **Sales**

The relaunch of the business that involved new look ranges with improved fashionability and colour, a new corporate identity, a new store design and a material reduction in our prices has been well received by our customers.

Retail sales for the half were 10.1% up on last year with the second quarter particularly strong at 14% up. Our apparel ranges performed well achieving unit sales growth of 32% for the half after having provided customers with average price reductions of 16%.

Our homewear business did not perform as well and has been the focus of attention to ensure an improved performance in the coming twelve months.

Wholesale sales were flat on last year. This was a positive result given the corresponding period last year includes a full six months of sales to David Jones. It reflects the strength of the strategic relationship we have formed with Myer.

Total sales grew by 4.6%.

#### **Inventory**

Total stock on hand of \$22.0m was 11.9% below last year. The continued reduction in stock levels has been achieved through our improvements in merchandise systems and supply chain that have significantly improved availability and stock turnover without an increase in stock levels.

## **Cash Flow**

Cash flow for the half was \$6.0m better than last year. The company closed the half with cash on hand of \$14.3m. A repayment of \$3.0m of the loan from Woolworths Holdings Limited is scheduled to be made by the end of February 2005. This will represent a permanent reduction in the loan facility provided by Woolworths, however other financing facilities and the security arrangements will remain unchanged.

## **Capital Expenditure**

Capital expenditure amounted to \$3.9m. The construction of new stores at Bondi Junction (Sydney, NSW) and Shore City (Auckland, New Zealand) was completed, along with the opening of a new store at the recently refurbished Melbourne Central Shopping Centre and the relocation of our Cairns store to the Cairns Central Shopping Centre.

## **Outlook**

The business traded well with a pleasing response from customers to the changes that have been made to ranges and stores during the last 6 months, but the overall market has continued to be sluggish and promotionally driven. We expect market conditions over the next 6 months to continue to be characterised by low levels of growth and continued promotional activity. However the Board is confident that the progress that has been made at Country Road in the first half of the year can continue and that the profit for the full year will show a material improvement on last year.

MAC DRYSDALE  
Chairman  
Country Road Limited

**Appendix 4D Half-Year Report**

Half-Year Ended 31 December 2004

**Country Road Limited**

ABN

**78 006 759 182**

Half Year Ended

**31 December 2004****For Announcement to the Market**

<b>Operating Results</b>				<b>\$A'000</b>
Revenues from sale of goods	up	4.6% to		103,135
Revenues from ordinary activities	up	4.1% to		104,532
Profit from ordinary activities after tax	up	195.3% to		1,624
Net profit for the period attributable to members	up	195.3% to		1,624
<b>Dividends and Distributions</b>			Amount	Franked amount
			per security	per security
Interim ordinary dividend			Nil	Nil
Previous corresponding period			Nil	Nil
No dividends were paid or proposed during, or with respect to, the Half-Year, and therefore no date has been set aside for determining any entitlements to dividends.				
<b>Other Disclosures</b>			Consolidated	Consolidated
			Current	Previous
			Period	Corresponding
				Period
Net tangible asset backing per ordinary security			\$0.63	\$0.54
Weighted average number of ordinary shares outstanding			69,056,822	69,056,822
There were no entities over which control was gained or lost during the Half-Year.				
No interest is held in any joint ventures or entites over which the consolidated entity has significant influence.				

**This half yearly report is to be read in conjunction with the most recent annual financial report.**

## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2004.

### Directors

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mark Canning (resigned 30 July 2004)  
Kenneth Macmillan Drysdale  
Nelson Mair  
Kevin Hayes  
Annamaria Hynes

Ian Moir  
Simon Susman  
Michael Terry  
Norman Thomson

### Review and Results of Operations

#### Highlights

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#### Sales

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Total sales grew by 4.6%.

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#### Cash Flow

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## Directors' Report continued

### Review and Results of Operations (continued)

#### Capital Expenditure

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#### Outlook

The business traded well with a pleasing response from customers to the changes that have been made to ranges and stores during the last 6 months, but the overall market has continued to be sluggish and promotionally driven. We expect market conditions over the next 6 months to continue to be characterised by low levels of growth and continued promotional activity. However the Board is confident that the progress that has been made at Country Road in the first half of the year can continue and that the profit for the full year will show a material improvement on last year.

#### Auditor's Independence Declaration

Attached to this half-year financial report is an independence declaration obtained from our auditors, Ernst & Young.

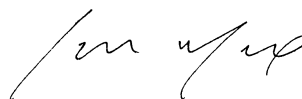
#### Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which this class order applies.

Signed in accordance with a resolution of the Directors.



KENNETH MACMILLAN DRYSDALE  
Director, Chairman  
Melbourne, 16 February 2005



IAN MOIR  
Director, Chief Executive Officer  
Melbourne, 16 February 2005

## Directors' Declaration

In accordance with a resolution of the Directors of Country Road Limited, we state that:

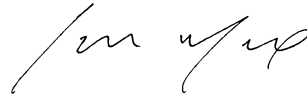
In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



KENNETH MACMILLAN DRYSDALE  
Director, Chairman  
Melbourne, 16 February 2005



IAN MOIR  
Director, Chief Executive Officer  
Melbourne, 16 February 2005

**Condensed Consolidated Statement of Financial Performance**

Half-Year Ended 31 December 2004

	Notes	Consolidated	
		2004	2003
		\$A'000	\$A'000
Revenues from ordinary activities	2	<b>104,532</b>	100,459
Expenses from ordinary activities	2	<b>(102,500)</b>	(98,929)
<b>Profit from ordinary activities before borrowing costs and income tax expense</b>		<b>2,032</b>	1,029
Borrowing costs	2	<b>(408)</b>	(479)
Income tax expense on ordinary activities		-	-
<b>Profit from ordinary activities after borrowing costs and income tax expense</b>	2	<b>1,624</b>	550
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>1,624</b>	550
Basic earnings per share (cents per share)		<b>0.02c</b>	0.01c
Diluted earnings per share (cents per share)		<b>0.02c</b>	0.01c

**Condensed Consolidated Statement of Financial Position**

As at 31 December 2004

	As at 31 December 2004 \$A'000	As at 30 June 2004 \$A'000	As at 31 December 2003 \$A'000
<b>CURRENT ASSETS</b>			
Cash assets	14,417	11,260	7,396
Receivables	10,355	8,910	10,016
Inventories	22,021	22,830	24,988
Income tax receivable	118	108	86
Other	1,412	2,676	2,096
<b>Total current assets</b>	<b>48,323</b>	<b>45,784</b>	<b>44,582</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment (net)	26,843	25,682	24,920
Intangibles (net)	11,083	11,218	11,318
Deferred tax assets	-	107	125
Other	376	175	701
<b>Total non-current assets</b>	<b>38,302</b>	<b>37,182</b>	<b>37,064</b>
<b>Total assets</b>	<b>86,625</b>	<b>82,966</b>	<b>81,646</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	18,087	16,390	16,779
Interest bearing liabilities	114	-	86
Provisions	2,575	2,602	2,797
<b>Total current liabilities</b>	<b>20,776</b>	<b>18,992</b>	<b>19,662</b>
<b>NON-CURRENT LIABILITIES</b>			
Accounts payable	734	480	520
Interest bearing liabilities	10,000	10,000	10,000
Tax liabilities	32	31	17
Provisions	758	762	688
<b>Total non-current liabilities</b>	<b>11,524</b>	<b>11,273</b>	<b>11,225</b>
<b>Total liabilities</b>	<b>32,300</b>	<b>30,265</b>	<b>30,887</b>
<b>Net assets</b>	<b>54,325</b>	<b>52,701</b>	<b>50,759</b>
<b>EQUITY</b>			
Contributed equity	80,907	80,907	80,907
Reserves	1,196	1,196	1,196
Accumulated losses	(27,778)	(29,402)	(31,344)
<b>Total equity</b>	<b>54,325</b>	<b>52,701</b>	<b>50,759</b>

**Condensed Consolidated Statement of Cash Flows**

Half-Year Ended 31 December 2004

	Consolidated	
	2004	2003
	\$A'000	\$A'000
<b>Cash Flows Related to Operating Activities</b>		
Receipts from customers	113,768	109,547
Payments to suppliers and employees	(107,063)	(109,108)
Rent revenue received	546	501
Interest received	72	43
Borrowing costs paid	(410)	(478)
Income taxes refunded/(paid)	(8)	89
<b>Net Operating Cash Flows</b>	<b>6,905</b>	<b>594</b>
<b>Cash Flows Related to Investing Activities</b>		
Payment for purchases of property, plant and equipment	(3,858)	(3,603)
<b>Net Investing Cash Flows</b>	<b>(3,858)</b>	<b>(3,603)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>3,047</b>	<b>(3,009)</b>
Add opening cash brought forward	11,260	10,316
Effect of exchange rate changes on cash	(4)	3
<b>Cash at End of Period</b>	<b>14,303</b>	<b>7,310</b>
<b>Reconciliation of cash</b>		
Cash assets	14,417	7,396
Bank overdraft	(114)	(86)
<b>Cash at End of Period</b>	<b>14,303</b>	<b>7,310</b>

## Notes to the Half-Year Financial Statements

31 December 2004

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### 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of Country Road Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Country Road Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### (a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The half-year financial report has been prepared in accordance with the historical cost convention, except for hedges of specific commitments, which are measured at net market value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (b) Changes in accounting policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

#### (c) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**Notes continued**

31 December 2004

	Consolidated	
	2004	2003
	\$A'000	\$A'000
<b>2 PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>(a) Specific Items</b>		
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(i) Revenues from ordinary activities</b>		
Revenue from sale of goods	103,135	98,644
Interest revenue	72	43
Royalties and license fees	779	1,271
Rent revenue	546	501
<b>Total revenues from ordinary activities</b>	<b>104,532</b>	<b>100,459</b>
<b>(ii) Expenses</b>		
Employment expenses	21,375	20,559
Occupancy expenses	13,834	12,492
Marketing expenses	4,732	5,960
Borrowing costs:		
Interest paid/payable - ultimate controlling entity	321	285
Interest paid/payable - other corporations	43	144
Other borrowing costs	44	49
<b>Total borrowing costs</b>	<b>408</b>	<b>478</b>
Net unrealised (gain) loss on translation of net assets of foreign controlled entities	(179)	(53)

**3 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends were paid or provided for during the half-year.

**4 CONTINGENT LIABILITIES**

Since the last annual reporting date, there has been no material change in any contingent liabilities.

**5 SUBSEQUENT EVENTS****2004**

There have been no material events after balance date that affect the operating results or financial position of the Company and its controlled entities as at 31 December 2004.

**2003**

There were no material events after balance date that affected the operating results or financial position of the Company and its controlled entities as at 31 December 2003. It was noted in the June 2003 annual report (Note 33) that on 4 July 2004, Country Road entered into an alliance with Myer Grace Bros allowing it to be the only department store to stock Country Road product. Country Road ceased supply to David Jones effective 31 December 2003.

**Notes continued**

31 December 2004

		Consolidated	
		2004	2003
		\$A'000	\$A'000
<b>6 ADDITIONAL INFORMATION</b>			
<b>(a) FINANCING ARRANGEMENTS</b>			
The economic entity had access to the following financing arrangements which are primarily subject to annual review.			
<b>Credit standby arrangements (a)</b>			
Bill acceptance facilities - term	(i)	10,000	10,000
Bank overdraft	(ii)	500	500
Total credit standby arrangements		10,500	10,500
Loan - related party (b)	(iii)	10,000	10,000
Total facilities available		20,500	20,500
<b>Facilities utilised</b>			
Bank overdrafts - secured		114	86
Loan - related party		10,000	10,000
Total drawn facilities		10,114	10,086
<b>Total undrawn facilities</b>		<b>10,386</b>	<b>10,414</b>

- (i) All bill acceptance facilities are denominated in Australian dollars and are subject to annual review. Interest is payable at market rates.
- (ii) The bank overdraft is denominated in Australian dollars and interest is charged at the appropriate market rates. All financing facilities are subject to various covenants which relate to the financial performance of the economic entity and must be complied with on a quarterly basis.
- (iii) The related party loan is denominated in Australian dollars. Interest is charged at appropriate market rates. The loan is subject to annual review by virtue of the requirement for Woolworths Holdings Limited to obtain annual approval by the South African Reserve Bank for the continued provision of the loan. The South African Reserve Bank has provided consent for the facilities to be available to the economic entity until 31 December 2005.
- (a) The credit standby facilities are secured by a Registered Mortgage Debenture over all of the assets of the economic entity.
- (b) The related party loan is secured by a second Registered Mortgage Debenture over the assets of the economic entity, however this loan is subordinated to the credit standby facilities provided by other financial institutions.

## Notes continued

31 December 2004

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### 6 ADDITIONAL INFORMATION (continued)

#### (b) IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

As disclosed in the June 2004 annual report, Country Road Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Set out below is an update of the key areas where the Company believes accounting policies will change and may have an impact on the financial report. The figures disclosed in this section are best estimates as at the date of preparing the half-year financial statements and these figures could change due to further work being undertaken, and potential amendments to Australian Equivalents of International Financial Reporting Standards, and interpretations thereof, being issued by the standard-setters and the International Financial Reporting Interpretations Committee.

#### Hedge Accounting

Under IAS 39 "Financial Instruments: Recognition and Measurement" in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The economic entity has implemented policies and procedures to comply with the hedge-effectiveness criteria defined by IAS 39 in order to meet the financial reporting requirements of the ultimate controlling entity Woolworths Holdings Limited. Expert advice has been sought to verify this compliance. The accounting entries arising from valuing individual effective cash flow hedges of future inventory purchase commitments to market value at balance date have been recognised in the financial statements in accordance with the requirements of AASB 1012 Foreign Currency Translation. This resulted in a net increase in Inventories of \$725,625 at balance date. Under IAS 39, this adjustment would have been recorded in Equity in the balance sheet.

#### Intangible Assets: Trade Names

Under the Australian equivalent to IAS 38 Intangible Assets, intangible assets that are deemed to have a finite life must be amortised if material. Previous ASIC guidance as to what constitutes an indefinite life has suggested the criteria of proof is onerous, and consequently the Company has been amortising its trade names since June 1998 over an estimated useful life of 50 years. Under IAS 38, the definition of what constitutes a finite life is clearer.

Intangible assets with an indefinite life will no longer be required to be amortised, and instead will be subjected to periodic asset impairment testing based on a discounted cash flow analysis. The Company believes that its Trade Names will satisfy the definition of an indefinite intangible asset under IAS 38, and therefore intend to restate the Trade Names to their original cost of \$12,000,000 when compiling the inaugural IFRS compliant financial report. The accumulated amortisation at that date will be transferred to retained earnings. As at 31 December 2004, accumulated amortisation of tradenames amounted to \$1,662,990, and amortisation charges included in the Statement of Financial Performance for the half-year that will not be expensed under IFRS amounted to \$134,890.

#### Income Taxes

Under the Australian equivalent to IAS 12 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position, or a tax-based balance sheet. To date, the Company has not identified any significant impacts from adopting this standard, as the majority of the deferred tax balances attributable to the consolidated entity have not been recognized in the consolidated balance sheet at balance date.

**Notes continued**

31 December 2004

**7 SEGMENT INFORMATION****Geographical segments**

	Australia	New Zealand	Elimination	Interest & Borrowing Costs	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>31 December 2004</b>					
<b>Revenue</b>					
Sales to customers outside the consolidated entity	94,350	8,785	-	-	103,135
Inter-segment sales	1,059	-	(1,059)	-	-
Other revenue	1,397	-	-	-	1,397
<b>Total revenue</b>	<b>96,806</b>	<b>8,785</b>	<b>(1,059)</b>	<b>-</b>	<b>104,532</b>
<b>Result</b>					
Operating profit before tax and extraordinary items	2,029	3	-	(408)	1,624
Income tax benefit/(expense)	-	-	-	-	-
<b>Operating profit after income tax</b>	<b>2,029</b>	<b>3</b>	<b>-</b>	<b>(408)</b>	<b>1,624</b>

	Australia	New Zealand	Elimination	Interest & Borrowing Costs	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>31 December 2003</b>					
<b>Revenue</b>					
Sales to customers outside the consolidated entity	89,895	8,749	-	-	98,644
Inter-segment sales	1,189	-	(1,189)	-	-
Other revenue	1,815	-	-	-	1,815
<b>Total revenue</b>	<b>92,899</b>	<b>8,749</b>	<b>(1,189)</b>	<b>-</b>	<b>100,459</b>
<b>Result</b>					
Operating profit before tax and extraordinary items	1,355	(326)	-	(479)	550
Income tax benefit/(expense)	-	-	-	-	-
<b>Operating profit after income tax</b>	<b>1,355</b>	<b>(326)</b>	<b>-</b>	<b>(479)</b>	<b>550</b>

## **Independent review report to members of Country Road Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the condensed statement of financial position, condensed statement of financial performance, condensed statement of cash flows and accompanying notes to the financial statements, the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules, and the directors' declaration, for Country Road Limited (the company) and the consolidated entity, for the six months ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that six month period.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

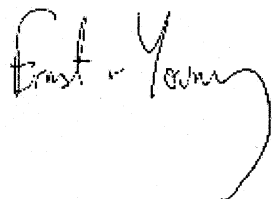
### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

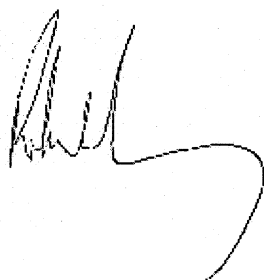
**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of Country Road Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Country Road Limited and the consolidated entity at 31 December 2004 and of their performance for the six month period ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.



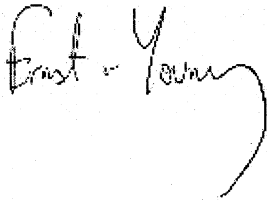
Ernst & Young



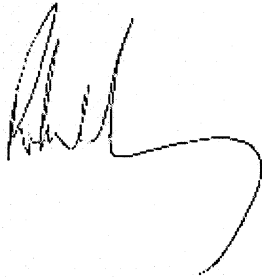
Robert Perry  
Partner  
Melbourne  
Date: 16 February 2005

## **Auditor's Independence Declaration to the Directors of Country Road Limited**

In relation to our review of the financial report of Country Road Limited for the half-year ended 31 December 2004, 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



Robert Perry  
Partner

Date: 16 February 2005