

STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE

16 FEBRUARY 2006

COUNTRY ROAD (CTY) HALF YEAR RESULTS

Highlights

- Net profit after tax \$2.3m (\$1.5m last year)
- Retail sales 6.7% higher than last year; comparable store sales 5.9% up
- Wholesale sales 16% down on last year
- Total sales 1.0% higher than last year

Profitability

Country Road reported a profit before borrowing costs and tax of \$2.8m (2004 - \$1.9m) for the 6 months ended 31 December 2005. Borrowing costs were \$0.5m (2004 - \$0.4m) and no income tax expense was incurred

Net profit after tax was \$2.3m, which represented an improvement of \$0.8m compared to the prior year.

Sales

Retail sales for the half were 6.7% up on last year with comparable store sales 5.9% higher. The company continued to gain market share with its improved value offer, with apparel unit sales volumes increasing by 32% and homeware unit sales increasing by 12% during the period.

Wholesale sales were 16% down on last year. This was in line with budgets and consistent with the company's strategy of improving the overall profitability of its wholesale business.

Total sales grew by 1.0%.

New Stores

New stores were opened at Penrith (NSW) and Parramatta (NSW), and the Australia on Collins (Vic) store was refurbished. The franchise store in Queenstown (NZ) was acquired by the company during the half.

Outlook

The retail apparel market continues to be tough but we have experienced a good initial response to our winter ranges.

Our improved fashionability and value is being well received but we are only in the early part of the season with the major trading period still to come.

IAN MOIR
Chief Executive Officer
Country Road Limited

COUNTRY ROAD LIMITED A.C.N. 006 759 182
Appendix 4D Half-Year Report
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Country Road Limited

ABN

78 006 759 182

Half Year Ended

31 December 2005

For Announcement to the Market

Operating Results	\$A'000		
Revenues from sale of goods	up	1.0% to	104,173
Total revenues	up	1.2% to	105,752
Net profit for the period	up	55.0% to	2,304
Net profit for the period attributable to members	up	55.0% to	2,304
Dividends and Distributions		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.			
Other Disclosures		Consolidated	Consolidated
		Current	Previous
		Period	Corresponding
			Period
Net tangible asset backing per ordinary security		\$0.62	\$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 entities 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 2005.

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.

Kenneth Macmillan Drysdale (resigned 31 January 2006)

Ashley Gardner (appointed 31 January 2006)

Kevin Hayes (resigned 31 January 2006)

Annamaria Hynes (resigned 31 January 2006)

Cherrie Lowe (appointed 31 January 2006)

Nelson Mair (resigned 31 December 2005)

Ian Moir

Simon Susman

Michael Terry (resigned 31 January 2006)

Norman Thomson

REVIEW AND RESULTS OF OPERATIONS

Highlights

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Wholesale sales were 16% down on last year. This was in line with budgets and consistent with the company's strategy of improving the overall profitability of its wholesale business.

Total sales grew by 1.0%.

Inventory

Total stock on hand was 43% higher than last year due to an increase in store model stock levels to support the increased volumes being achieved and some deliveries of new season stock a little earlier than in the prior year.

Cash Flow

Cash flow was adversely affected by the increased stock levels, as well as an increased level of capital expenditure during the half. Net cash flow for the half was \$0.3m, with cash on hand amounting to \$12.2m at the end of the half.

Capital Expenditure

Capital expenditure amounted to \$4.8m. New stores were opened at Penrith (NSW) and Parramatta (NSW), and the Australia on Collins (Vic) store was refurbished. The franchise store in Queenstown (NZ) was acquired by the company during the half.

Directors' Report continued

REVIEW AND RESULTS OF OPERATIONS (continued)

Outlook

The 2nd half has commenced well, with the initial response to Winter ranges in line with expectations. Retail conditions over the next 6 months are expected to continue to be tough, however we are confident that the quality and improved value of our Winter ranges will ensure the business achieves its targets, against what was a very difficult winter period in the prior year for most apparel retailers.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young which is attached to this report.

ROUNDING

The amounts contained 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 the class order applies.

Signed in accordance with a resolution of the Directors.



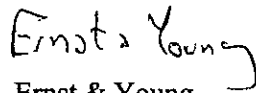
IAN MOIR

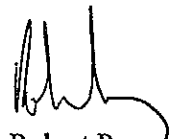
Director, Chief Executive Officer

Melbourne, 15 February 2006

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

In relation to our review of the financial report of Country Road Limited and the consolidated entity for the half-year ended 31 December 2005, 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: 15/2/06

Directors' Declaration

In accordance with a resolution of the Directors of Country Road Limited, I 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 2005 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "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



IAN MOIR
Director, Chief Executive Officer
Melbourne, 15 February 2006

Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated	
		2005 \$A'000	2004 \$A'000
Total revenues	2	105,752	104,532
Cost of sales		(49,827)	(51,264)
Gross profit		55,925	53,268
Employment expenses		(22,564)	(21,375)
Occupancy expenses		(14,768)	(14,639)
Depreciation and amortisation expenses	2	(3,480)	(3,256)
Marketing expenses		(4,386)	(4,732)
Other expenses		(7,947)	(7,372)
Profit before tax and borrowing expenses		2,780	1,894
Borrowing expenses	2	(476)	(408)
Net profit for the period		2,304	1,486
Basic earnings per share (cents per share)		3.34c	2.15c
Diluted earnings per share (cents per share)		3.34c	2.15c

Condensed Balance Sheet

AS AT 31 DECEMBER 2005

	Consolidated	
	As at 31 December 2005 \$A'000	As at 30 June 2005 \$A'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	12,227	11,917
Trade and other receivables	7,793	9,957
Inventories	33,155	23,071
Income tax receivable	100	90
Prepayments	1,321	1,517
Total Current Assets	54,596	46,552
NON-CURRENT ASSETS		
Plant and equipment	28,923	27,238
Intangible assets	11,189	11,189
Deferred tax assets	120	118
Prepayments	146	126
Total Non-current Assets	40,378	38,671
TOTAL ASSETS	94,974	85,223
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	26,211	18,582
Interest bearing loans and borrowings	-	-
Provisions	2,583	2,656
Total Current Liabilities	28,794	21,238
NON-CURRENT LIABILITIES		
Trade and other payables	5,068	5,148
Interest bearing loans and borrowings	7,000	7,000
Deferred tax liabilities	40	39
Provisions	274	551
Total Non-current Liabilities	12,382	12,738
TOTAL LIABILITIES	41,176	33,976
NET ASSETS	53,798	51,247
EQUITY		
Issued capital	80,907	80,907
Reserves	257	10
Accumulated losses	(27,366)	(29,670)
Total Equity	53,798	51,247

Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	2005	2004
	\$A'000	\$A'000
Cash flows from operating activities		
Receipts from customers	118,308	113,768
Payments to suppliers and employees	(113,449)	(107,063)
Rent revenue received	618	546
Interest received	85	72
Finance expenses paid	(479)	(410)
Taxes refunded/(paid)	(4)	(8)
Net cash flows from operating activities	5,079	6,905
Cash flows from investing activities		
Purchase of plant and equipment	(4,774)	(3,858)
Net cash flows from investing activities	(4,774)	(3,858)
Net increase in cash and cash equivalents	305	3,047
Add cash and cash equivalents at 30 June	11,917	11,260
Effect of exchange rate changes on cash	5	(4)
Cash and cash equivalents at end of period	12,227	14,303

Condensed Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	2005	2004
	\$A'000	\$A'000
Total equity at 1 July	51,247	48,913
Items recognised directly in equity:		
Net gains/(losses) on fair value recognition of cash flow hedge derivatives	247	(1,280)
Net profit for the period	2,304	1,486
Total equity at 31 December	53,798	49,119

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The consolidated financial statements comprise the financial statements of Country Road Limited and its subsidiaries ('the Group').

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 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

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 2005 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 134: "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

In preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS, and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations to balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(d) below, and include:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005.

(c) Summary of significant accounting policies

(i) Basis of consolidation

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.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(ii) Foreign currency translation

Both the functional and presentation currency of Country Road Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at 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. All differences in the consolidated financial report are taken to the income statement.

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 overseas subsidiaries is Australian dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Country Road Limited, being Australian dollars. Exchange differences arising on the retranslation are taken directly to the income statement.

(iii) Plant & equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

- Fixtures, fittings & equipment - 3 to 10 years
- Leasehold improvements - the shorter of the duration of the leases or their estimated useful lives ranging from 4 to 19 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iv) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(v) 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, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The Group's intangible assets consist of Trade Names, which are deemed to have an indefinite life, are not amortised, are acquired, and are subject to impairment testing annually, or where an indicator of impairment exists.

(vi) Recoverable amount

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.

(vii) 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 in accordance with guidance provided by the Australian Tax Office in Practice Statement LA2003/13.

(viii) 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.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(ix) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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.

(x) Interest-bearing loans and liabilities

All loans are measured at their principal amount. Interest is recognised as an expense as it accrues.

(xi) 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.

(xii) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(xiii) 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.

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, which are recognised on a straight-line basis over the term of the lease.

(xiv) 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.
- 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.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xv) Taxes

Income tax

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 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, carry-forward of 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 carry-forward of unused tax assets 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xvi) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xvii) AASB 1 Transitional exemptions

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(xviii) Issued capital

Issued capital is recognised at 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 share proceeds received.

(xix) Earnings per share

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.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**(d) Impact of adoption of Australian Equivalents to International Financial Reporting Standards**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards ('AGAAP') applicable before 1 January 2005 are illustrated below.

As the consolidated entity has not recognised its net deferred tax assets for the Australian tax consolidated group, no tax impacts have been recognised in equity on the above adjustments.

There are no differences between the cash flow statements presented under both AIFRS and AGAAP.

Reconciliation of consolidated equity as presented under AGAAP to that under AIFRS

	Consolidated		
	30 June 2005 \$000's	31 December 2004 \$000's	1 July 2004 \$000's
Total equity under AGAAP	55,903	54,325	52,701
Adjustments to retained losses			
Straight-line measurement of lease expense with fixed annual escalation (A)	(4,907)	(4,602)	(4,343)
Transfer from foreign currency translation reserve (B)	1,196	1,196	1,196
Amortisation of trade names (D)	241	121	-
Adjustments to other reserves			
Transfer of foreign currency translation reserve to retained losses (B)	(1,196)	(1,196)	(1,196)
Recognition of fair value of cash flow hedge derivatives (C)	10	(725)	555
Total equity under AIFRS	<u>51,247</u>	<u>49,119</u>	<u>48,913</u>

Reconciliation of consolidated profit after tax as presented under AGAAP to that under AIFRS

	Consolidated	
	30 June 2005 \$000's	31 December 2004 \$000's
Profit after tax as previously reported	3,202	1,624
Write-back of amortisation of trade names (D)	241	121
Straight-line measurement of lease expense with fixed annual escalation (A)	(564)	(259)
Profit after tax under AIFRS	<u>2,879</u>	<u>1,486</u>

- (A) IAS 17 'Leases' requires lease payments to be recognised as an expense on a straight line basis when the value of the future lease payments can be determined. Leases with a fixed annual escalation are now recognised as an expense on a straight line basis over the life of the lease. AGAAP allowed all lease payments to be recognised as an expense in accordance with the payment cycle defined in the lease.
- (B) AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' allows accumulated translation differences to be deemed zero at the date of transition to IFRS. Therefore the balance of the foreign currency translation reserve, which was frozen since 1999, has been transferred to retained losses.
- (C) Unrealised gains/(losses) on unexpired foreign exchange contracts that are cash flow hedges are included in other reserves as the contracts hedge forecast purchases and qualify for hedge accounting.
- (D) Intangible assets with an indefinite life are not amortised under AASB138 'Intangible Assets', but were previously amortised under AGAAP.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**(d) Impact of adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) (continued)****Reconciliation of earnings per share under AGAAP to that under AIFRS**

The impact on earnings per share previously reported from changes to net profit after tax on transition to AIFRS identified in 1(d)(i) above is illustrated below. There are no adjustments required for dilutive securities.

	30 June 2005 \$000's	31 December 2004 \$000's
Basic earnings per share previously reported (cents per share)	4.64	2.35
Impact on profit after tax from adoption of AIFRS	(0.47)	(0.20)
Adjusted basic earnings per share (cents per share)	<u>4.17</u>	<u>2.15</u>

2 REVENUE AND EXPENSES**(a) Specific Items**

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	Consolidated	
	2005 \$A'000	2004 \$A'000
(i) Revenue		
Sale of goods	104,173	103,135
Interest revenue	85	72
Royalties and license fees	876	779
Rent revenue	618	546
Total revenues	<u>105,752</u>	<u>104,532</u>
(ii) Expenses		
Depreciation	3,480	3,234
Amortisation	-	22
Total depreciation & amortisation expenses	<u>3,480</u>	<u>3,256</u>
Interest expense	434	364
Other borrowing costs	42	44
Total borrowing expenses	<u>476</u>	<u>408</u>

3 DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the half-year.

4 ISSUED CAPITAL

	31 December 2005	30 June 2005
Ordinary shares		
Issued and fully paid	69,056,822	69,056,822

5 CONTINGENT LIABILITIES

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

Notes to the Half-Year Financial Statements (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2005****6 SUBSEQUENT EVENTS**

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 2005.

7 SEGMENT REPORTING

	Australia	New Zealand	Total
	\$000's	\$000's	\$000's
31 December 2005			
Segment revenue	96,422	9,330	105,752
Segment profit before tax and borrowing expenses	2,771	9	2,780
31 December 2004			
Segment revenue	95,747	8,785	104,532
Segment profit before tax and borrowing expenses	1,918	(24)	1,894

Independent review report to members of Country Road Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity 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 2005.

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 that complies with Accounting Standard AASB 134 "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 134 "Interim Financial Reporting" and other mandatory financial 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 financial position, and of its performance as represented by the results of its 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.

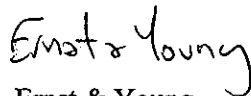
Independence

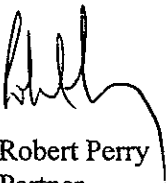
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 2005 and of its performance for the six months ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "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: 15/2/06