

COUNTRY ROAD LIMITED (CTY)
STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE & MEDIA RELEASE
15 FEBRUARY 2007

RESULTS FOR THE HALF YEAR ENDING 31 DECEMBER 2006

Highlights

- Significant improvement in profitability with profit before interest and tax (PBIT) of \$5.4m (up \$2.6m on first half last year) and profit after tax (PAT) of \$5.1m (up \$2.8m on first half last year);
- As previously advised, strong retail sales growth for the half (total retail 13.7% up, retail stores excluding warehouse/seconds stores 16.0% up);
- Wholesale sales down (-29.3% on same period last year) on managed exit in preparation for launch of concession outlets;
- Total sales up 3.5% with retail sales growth more than offsetting wholesale reduction;
- Concession stores successfully launched in late January 2007 in 39 Myer stores and 34 David Jones stores;
- Net cash \$8.2m higher than same time last year, despite repaying remaining \$7.0m principal of loan from parent entity in October 2006; and
- Inventories \$11.1m below same time last year.

	1H 06/07	1H 05/06	Change
	\$m	\$m	%
PBIT	5.4	2.8	94.3%
PAT	5.1	2.3	120.9%
Total sales (\$m)	107.9	104.2	3.5%
Total retail sales (\$m)	90.6	79.7	13.7%
Wholesale sales (\$m)	17.3	24.5	(29.3%)

“The continued momentum in our retail business during the half has been pleasing, particularly relative to the market” said Chief Executive Officer, Ian Moir. “The improved fashionability and depth of our ranges have generated a strong response from our customers, and we’ve simultaneously increased the accessibility to our brand through lower prices. We are also now realising the benefits of changes to our merchandising and supply chain processes, enabling more efficient merchandise management as evidenced by lower inventory levels and improved cash flow throughout the half.”

Mr Moir also confirmed the successful launch of the Concession store arrangements with David Jones and Myer. “In late January, we opened 73 concession stores within David Jones and Myer. The scale of this project has been substantial and has only been made possible by the efforts of our people, the capability of our technology and systems, and the support from both department stores.”

Outlook

The concession outlets are now all trading and we expect all major outlets to be fully fitted out by the end of this financial year. The Winter ranges have launched and the customer response has been very strong. We anticipate the momentum achieved in the first half to continue, and the second half to show a significant improvement in total sales and profit on the equivalent period last year.

For further information, please contact:

John Gillman
commr – communications and public relations
0419 995 552
john.gillman@commr.com.au

Appendix 4D Half-Year Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

Country Road Limited

ABN

78 006 759 182

Half Year Ended

31 December 2006**For Announcement to the Market**

Operating Results			\$'000
Revenues from sale of goods	up	3.5% to	107,861
Total revenues	up	3.4% to	109,359
Profit before interest and tax	up	94.3% to	5,401
Profit before tax	up	123.9% to	5,158
Profit after tax attributable to members	up	120.9% to	5,090
Dividends and Distributions		Amount per security	Franked amount 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 Current Period	Consolidated Previous Corresponding Period
Net tangible asset backing per ordinary security		\$0.69	\$0.62
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 should 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 2006.

DIRECTORS

The names of the Directors of Country Road Limited in office during the half-year and at the date of this report are as follows:

Ashley Gardner (resigned 8 December 2006)

Glenn Gilzean (appointed 8 December 2006)

Cherrie Lowe (resigned 18 October 2006)

Ian Moir

Simon Susman

Norman Thomson

REVIEW OF OPERATIONS

Sales

Sales growth in Country Road retail stores (excluding 'warehouse' outlets) was 16.0% up (comparable store sales up 11.4%) on first half last year, outperforming the market with improved margins and higher unit volumes, with lower promotional activity than that undertaken in the previous corresponding period.

As previously advised, the exit from our wholesale business in preparation for the concession launch resulted in a reduction in wholesale sales of 29.3% on first half last year, which was consistent with expectations.

Total sales increased by 3.5% on first half last year, driven by the strong retail performance despite the reduction in wholesale sales.

Profitability

Profit before interest and tax of \$5.4m increased by \$2.6m on first half last year. The strong retail performance offset the impact of the exit from the wholesale business, with expenses tightly controlled during the half.

Interest and finance costs decreased by 49% to \$0.2m from substantially lower average funding requirements during the half arising from the improved profitability and working capital position.

Balance Sheet & Cash Flow

Merchandising and supply chain initiatives, as well as synergies from planning for a retail-only model, have enabled the business to lower its average inventory levels throughout the half, contributing to the improved working capital position. Inventories were \$11.1m lower than this time last year, and \$2.5m lower than June 2006.

Net cash was \$8.2m higher than this time last year, and \$6.1m higher than June 2006, driven by improved profitability and lower inventory holdings. The sustained improved cash flow position facilitated the repayment of the remaining \$7.0m principal of the loan from the parent entity, Woolworths Holdings Limited, in October 2006.

Outlook

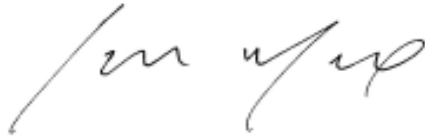
The concession outlets are now all trading and we expect all major outlets to be fully fitted out by the end of this financial year. The Winter ranges have launched and the customer response has been very strong. We anticipate the momentum achieved in the first half to continue, and the second half to show a significant improvement in total sales and profit on the equivalent period last year.

Directors' Report (continued)

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Directors.

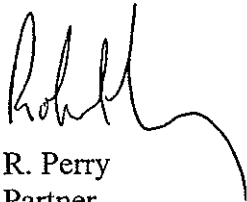
A handwritten signature in black ink, appearing to read 'Ian Moir', is written in a cursive style.

IAN MOIR
Director, Chief Executive Officer
Melbourne, 14 February 2007

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 2006, 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



R. Perry
Partner
14 February 2007

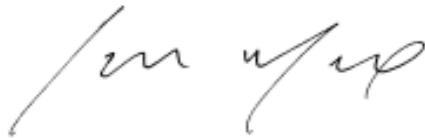
Directors' Declaration

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 are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the financial position as at 31 December 2006 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

A handwritten signature in black ink, appearing to read 'Ian Moir', written in a cursive style.

IAN MOIR
Director, Chief Executive Officer
Melbourne, 14 February 2007

Income Statement**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Total revenues	2	109,359	105,752
Cost of sales		(48,145)	(49,827)
Gross profit		61,214	55,925
Employment expenses		(23,698)	(22,564)
Occupancy expenses		(15,653)	(14,768)
Depreciation expenses	2	(3,753)	(3,480)
Marketing expenses		(4,671)	(4,386)
Other expenses		(8,038)	(7,947)
		(55,813)	(53,145)
Profit before finance expenses and income tax expense		5,401	2,780
Finance expenses	2	(243)	(476)
Profit before income tax expense		5,158	2,304
Income tax expense		(68)	-
Net profit for the period		5,090	2,304
Basic earnings per share (cents per share)		7.37c	3.34c
Diluted earnings per share (cents per share)		7.37c	3.34c

Balance Sheet**AS AT 31 DECEMBER 2006**

	Consolidated	
	As at 31 December 2006 \$'000	As at 30 June 2006 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	13,458	14,328
Trade and other receivables	9,810	4,193
Inventories	22,046	24,538
Income tax receivable	-	12
Prepayments	678	1,175
Derivative financial instruments	33	1,176
Total current assets	46,025	45,422
NON-CURRENT ASSETS		
Plant and equipment	28,952	27,833
Intangible assets	11,189	11,189
Deferred tax assets	99	92
Prepayments	120	150
Total non-current assets	40,360	39,264
TOTAL ASSETS	86,385	84,686
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	19,134	14,662
Income tax payable	43	-
Provisions	2,966	3,041
Derivative financial instruments	-	31
Total current liabilities	22,143	17,734
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	-	7,000
Provisions	5,622	6,035
Total non-current liabilities	5,622	13,035
TOTAL LIABILITIES	27,765	30,769
NET ASSETS	58,620	53,917
EQUITY		
Issued capital	80,907	80,907
Reserves	(259)	127
Accumulated losses	(22,028)	(27,117)
Total equity	58,620	53,917

Cash Flow Statement**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Consolidated	
	2006	2005
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	112,839	118,308
Payments to suppliers and employees	(101,645)	(113,449)
Rental income receipts	678	618
Interest received	156	85
Interest and other costs of finance paid	(356)	(479)
Income taxes and withholding taxes paid	(1)	(4)
Net cash flows from operating activities	11,671	5,079
Cash flows from investing activities		
Payments for acquisition of plant and equipment	(5,554)	(4,774)
Net cash flows used in investing activities	(5,554)	(4,774)
Cash flows from financing activities		
Repayment of related party borrowings from parent entity	(7,000)	-
Net cash flows used in financing activities	(7,000)	-
Net increase (decrease) in cash and cash equivalents	(883)	305
Add cash and cash equivalents at 30 June	14,328	11,917
Effect of exchange rate changes on opening balance	13	5
Cash and cash equivalents at end of period	13,458	12,227

Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	2006	2005
	\$'000	\$'000
Total equity at beginning of period	53,917	50,577
Changes in the fair value recognition of cash flow hedges	(796)	247
Exchange differences on translation of foreign operations	409	-
Net expense recognised directly in equity	(387)	247
Net profit for the period	5,090	2,304
Total recognised income and (expense) for the period	4,703	2,551
Total equity at end of period	58,620	53,128

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

The financial report of Country Road Limited for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the Directors on 14 February 2007.

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 2006, which was prepared based on Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS).

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 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100.

The Company is an entity to which the class order applies.

(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.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

(b) 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 2006**

	Consolidated	
	2006	2005
	\$'000	\$'000
2 REVENUES AND EXPENSES		
(a) Revenue		
Sale of goods	107,861	104,173
Interest revenue	156	85
Royalties and license fees	438	876
Rent revenue	678	618
Other revenue	226	-
Total revenues	109,359	105,752
(b) Expenses		
Depreciation expense	3,753	3,480
Total depreciation expense	3,753	3,480
Interest expense	191	434
Facility fees	52	42
Total finance expenses	243	476

3 DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during the half year (2005 - none paid or proposed).

4 INTEREST BEARING LOANS AND BORROWINGS

In October 2006, the Group repaid \$7,000,000 of interest bearing debt to the parent entity, Woolworths Holdings Limited.

5 ISSUED CAPITAL

<i>Ordinary shares</i>	31 December	30 June
	2006	2006
Issued and fully paid	69,056,822	69,056,822

6 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at balance date.

7 SUBSEQUENT EVENTS

The Company commenced trading under concession agreements with Myer Limited and David Jones Limited in January 2007, and has ceased supplying inventory to Myer Limited on a wholesale basis.

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

8 SEGMENT INFORMATION**(a) Geographical segments**

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by external economic factors and consumer behaviours exclusive to those segments.

Note	Consolidated			Consolidated		
	2006 Australia \$000's	2006 New Zealand \$000's	2006 Total \$000's	2005 Australia \$000's	2005 New Zealand \$000's	2005 Total \$000's
Revenue						
Sales to external customers	97,984	9,877	107,861	94,843	9,330	104,173
Inter-segment sales	4,223	-	4,223	3,857	-	3,857
Other revenues	1,322	20	1,342	1,494	-	1,494
Total segment revenue	<u>103,529</u>	<u>9,897</u>	<u>113,426</u>	<u>100,194</u>	<u>9,330</u>	<u>109,524</u>
Inter-segment elimination			(4,223)			(3,857)
Non-segment revenues						
Interest revenue			156			85
Total consolidated revenue			<u>109,359</u>			<u>105,752</u>
Result						
Segment result	5,050	205	5,255	2,549	9	2,558
Unallocated expenses			146			222
Profit before tax and finance expenses			5,401			2,780
Finance expenses			(243)			(476)
Profit before tax			5,158			2,304
Income tax (expense) benefit			(68)			-
Net profit for the year			<u>5,090</u>			<u>2,304</u>
Assets and liabilities						
Segment assets	70,246	4,917	75,163	65,915	6,406	72,321
Unallocated assets			11,222			12,365
Total assets			<u>86,385</u>			<u>84,686</u>
Segment liabilities	25,946	1,819	27,765	22,407	1,331	23,738
Unallocated liabilities			-			7,031
Total liabilities			<u>27,765</u>			<u>30,769</u>
Other segment information						
Capital expenditure	4,241	400	4,641	4,439	310	4,749
Depreciation and amortisation	3,452	301	3,753	3,229	251	3,480
Significant non-cash items other than depreciation and amortisation	-	-	-	61	-	61

(b) Business segments

The Group's business segments are determined based on the size, nature and other unique characteristics associated with the direct customer.

Note	Consolidated			Consolidated		
	2006 Retail Stores \$000's	2006 Wholesale \$000's	2006 Total \$000's	2005 Retail Stores \$000's	2005 Wholesale \$000's	2005 Total \$000's
Revenue						
Sales to external customers	90,554	17,307	107,861	79,681	24,492	104,173
Segment revenue	<u>90,554</u>	<u>17,307</u>	<u>107,861</u>	<u>79,681</u>	<u>24,492</u>	<u>104,173</u>
Other segment information						
Segment assets	20,996	9,126	30,122	20,503	5,676	26,179
Unallocated assets			56,263			58,507
Total assets			<u>86,385</u>			<u>84,686</u>
Capital expenditure	2,779	-	2,779	3,944	-	3,944

To the members of Country Road Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Country Road Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and the ASX Listing Rules as they relate to Appendix 4D. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Country Road Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

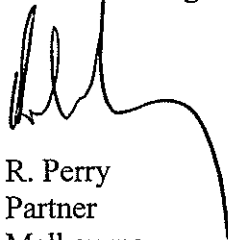
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Country Road Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year 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

Ernst & Young



R. Perry
Partner

Melbourne

14 February 2007