

COUNTRY ROAD

21 FEBRUARY 2008

STATEMENT TO THE AUSTRALIAN STOCK EXCHANGE

RESULTS FOR THE HALF YEAR ENDING 31 DECEMBER 2007

Country Road today announced a strong increase in profit before tax to \$8.0m for the six months to 31 December 2007, up 55.3% on the same period last year.

Financial Performance Summary	1H 07/08 \$m	1H 06/07 \$m		Δ \$m	Δ %
Profit					
Profit Before Tax (PBT)	8.0	5.2	↑	2.8	55.3%
Profit After Tax (PAT)	5.6	5.1	↑	0.5	9.5%
Sales					
Total Sales	145.6	107.9	↑	37.7	35.0%
Total Retail Sales	110.0	90.6	↑	19.4	21.5%
Total Concession Sales	35.6	-	-	35.6	-
Total Wholesale Sales	-	17.3	↓	(17.3)	(100.0%)

Highlights

- Profit before tax (PBT) of \$8.0m up 55.3% on first half last year;
- As previously announced, total sales grew by 35.0% on first half last year, with retail sales up by 21.5%, and 16.5% on comparable store terms;
- Interim dividend of 3.31 cents per share, fully franked, scheduled for payment on 3 April 2008;
- Five new stores opened during the half; and
- Capital expenditure and dividend outflows funded by operating cash flow for the half.

“This is clearly the strongest profit performance for a December half this business has delivered for some time,” said CEO, Ian Moir. “Customers have responded well to our improved value proposition of lower price points and improved fashionability, whilst preserving our reputation for quality. We achieved double digit sales growth on first half last year in all divisions. Our capital expansion program has been delivered on schedule and within budget, and has been funded by operating cash flow as planned. All new stores have traded above expectations and we are proactively pursuing further store expansion opportunities.”

Outlook

Initial sell-throughs on new Winter ranges have been encouraging. The Company will be cycling a strong trading base in the second half with the anniversary of the launch of the concession outlets in the department stores. Despite this, the Company expects a good improvement in profit before tax in the second half on the same corresponding period last year.

For further information, please contact:

Ian Moir
Chief Executive Officer
Country Road Limited
(03) 9267 1400

Appendix 4D Half-Year Report
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Country Road Limited

ABN

78 006 759 182

Half Year Ended

31 December 2007

For Announcement to the Market

Operating Results	\$'000		
Revenues from sale of goods	up	35.0% to 145,632	
Total revenues	up	34.8% to 147,366	
Profit before interest and tax	up	50.2% to 8,114	
Profit before tax	up	55.3% to 8,009	
Profit after tax attributable to members	up	9.5% to 5,574	
Dividends and Distributions	Amount per security	Franked amount per security	
Interim dividend	3.31c	Fully franked	
Previous corresponding period	-	-	
Record date for determining entitlements to the dividend	<table border="1" style="display: inline-table;"><tr><td style="padding: 2px;">6 March 2008</td></tr></table>		6 March 2008
6 March 2008			
Other Disclosures	Consolidated Current Period	Consolidated Previous Corresponding Period	
Net tangible asset backing per ordinary security	\$0.76	\$0.71	
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 period.			
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 2007.

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:

Glenn Gilzean

Ian Moir

Simon Susman

Norman Thomson

REVIEW AND RESULTS OF OPERATIONS

Total sales increased by 35.0% on the previous corresponding half year. Although benefiting from the replacement of wholesale sales with retail sales under new concession arrangements with Myer and David Jones, retail store sales alone grew by 21.5%, and 16.5% on a comparable store basis. The sales performance in our retail stores was well above the market average for the period.

Profit before tax increased by 55.3% to \$8.0m. The strong retail performance and the launch of the concession outlets more than absorbed the impact of the exit from our wholesale arrangements, with overheads well controlled during the half. Income tax expense is now recognised for the Australian tax consolidated group after the initial recognition of the group's deferred tax assets in the June 2007 financial statements. Profit after tax increased by 9.5% to \$5.6m, after recognising income tax expense of \$2.4m (2006: \$68,000).

The group further strengthened its operating cash flow position during the period to \$13.5m, funding significant capital projects of \$9.1m and returns to shareholders of \$5.0m. The strong financial position of the Group enabled us to renegotiate our financing arrangements with our bank during the period on an unsecured basis. We also reduced and changed the composition of our facilities, therefore reducing borrowing costs going forward in a time when the cost of debt is increasing.

Our significant capital expansion program is on schedule. The five new stores opened during the half in Highpoint (Vic), Hornsby (NSW), Burwood (NSW), Kotara (NSW) and Albany (NZ) have all traded above expectations. We also expanded the trading space in our Northland (Vic) and Carindale (Qld) stores. The Company will continue to proactively pursue further growth in new stores as well as existing store expansion opportunities.

Initial sell-throughs on new Winter ranges have been encouraging. The Company will be cycling a strong trading base in the second half with the anniversary of the launch of the concession outlets in the department stores. Despite this, the Company expects a good improvement in profit before tax in the second half on the same corresponding period last year.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$'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.

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.

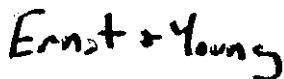


IAN MOIR

Director, Chief Executive Officer
Melbourne, 20 February 2008

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 2007, 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



R Perry
Partner
20 February 2008

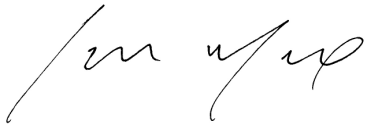
Directors' Declaration

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 2007 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, 20 February 2008

Income Statement**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Notes	Consolidated	
		2007 \$'000	2006 \$'000
Total revenues	2	147,366	109,359
Cost of sales		(60,950)	(48,145)
Gross profit		86,416	61,214
Employment expenses		(33,401)	(23,698)
Occupancy expenses		(27,867)	(15,653)
Depreciation expenses	2	(4,499)	(3,753)
Marketing expenses		(5,457)	(4,671)
Other expenses		(7,078)	(8,038)
		(78,302)	(55,813)
Profit before financing expenses and income tax expense		8,114	5,401
Financing expenses	2	(105)	(243)
Profit before income tax expense		8,009	5,158
Income tax expense		(2,435)	(68)
Net profit for the period		5,574	5,090
Basic earnings per share (cents per share)		8.07c	7.37c
Diluted earnings per share (cents per share)		8.07c	7.37c

Balance Sheet

AS AT 31 DECEMBER 2007

	Consolidated	
	As at 31 December 2007 \$'000	As at 30 June 2007 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	18,669	19,250
Trade and other receivables	4,883	3,019
Inventories	32,483	29,395
Prepayments	867	1,297
Derivative financial instruments	385	-
Total current assets	57,287	52,961
NON-CURRENT ASSETS		
Receivables	61	32
Plant and equipment	34,288	30,125
Intangible assets	11,189	11,189
Deferred tax assets	6,888	8,681
Prepayments	89	120
Total non-current assets	52,515	50,147
TOTAL ASSETS	109,802	103,108
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	29,381	22,758
Income tax payable	1,031	94
Provisions	3,610	4,439
Derivative financial instruments	882	2,212
Total current liabilities	34,904	29,503
NON-CURRENT LIABILITIES		
Provisions	4,146	4,602
Total non-current liabilities	4,146	4,602
TOTAL LIABILITIES	39,050	34,105
NET ASSETS	70,752	69,003
EQUITY		
Issued capital	74,087	80,907
Reserves	(590)	(1,766)
Accumulated losses	(2,745)	(10,138)
Total equity	70,752	69,003

Cash Flow Statement**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Consolidated	
	2007	2006
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	161,028	112,730
Payments to suppliers and employees	(148,384)	(101,645)
Rental income receipts	674	678
Other revenue	171	109
Interest received	220	156
Interest and other costs of financing paid	(106)	(356)
Income taxes and withholding taxes paid	(111)	(1)
Net cash flows from operating activities	13,492	11,671
Cash flows from investing activities		
Payments for acquisition of plant and equipment	(9,055)	(5,554)
Net cash flows used in investing activities	(9,055)	(5,554)
Cash flows from financing activities		
Repayment of related party borrowings from parent entity	-	(7,000)
Dividends paid	(5,000)	-
Net cash flows used in financing activities	(5,000)	(7,000)
Net increase (decrease) in cash and cash equivalents	(563)	(883)
Add cash and cash equivalents at 30 June	19,250	14,328
Effect of exchange rate changes on opening balance	(18)	13
Cash and cash equivalents at end of period	18,669	13,458

Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	2007	2006
	\$'000	\$'000
Total equity at beginning of period	69,003	53,917
Changes in the fair value recognition of cash flow hedges	1,314	(796)
Exchange differences on translation of foreign operations	(139)	409
Net expense recognised directly in equity	1,175	(387)
Net profit for the period	5,574	5,090
Total recognised income and (expense) for the period	6,749	4,703
Dividends paid	(5,000)	-
Total equity at end of period	70,752	58,620

Notes to the Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The condensed interim 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 2007 was authorised for issue in accordance with a resolution of the Directors on 20 February 2008.

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 2007, 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 2007 in accordance with the continuous disclosure obligations of the ASX listing rules.

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, 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 2007.

Notes to the Half-Year Financial Statements (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Consolidated	
	2007	2006
	\$'000	\$'000
2 REVENUES AND EXPENSES		
(a) Revenue		
<i>Sales revenue</i>		
Sale of goods	145,632	107,861
Royalties and license fees	491	438
	146,123	108,299
<i>Other revenue</i>		
Tender forfeits	171	109
Rent revenue	674	678
Interest revenue	220	156
Other	178	117
	147,366	109,359
(b) Expenses		
Depreciation expense	4,499	3,753
Total depreciation expense	4,499	3,753
Interest expense	58	191
Facility fees	47	52
Total financing expenses	105	243
3 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax	(1,052)	(68)
Deferred tax	(1,383)	-
Income tax (expense) or benefit	(2,435)	(68)
Income tax expense is attributable to:		
Profit before income tax expense	(2,435)	(68)
Deferred income tax revenue (expense) included in income tax expense comprises:		
(Decrease) increase in deferred tax assets	(1,526)	-
Decrease (increase) in deferred tax liabilities	143	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	8,009	5,158
Prima facie tax thereon at 30% (2006: 30%)	(2,403)	(1,547)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Non-allowable expenses	(41)	-
Timing differences not recognised	-	1,479
Effect of different rates of tax on overseas taxable income	9	-
Income tax (expense) or benefit	(2,435)	(68)

Notes to the Half-Year Financial Statements (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Consolidated	
	2007	2006
	\$'000	\$'000
3 INCOME TAX EXPENSE (continued)		
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in income statement		
Depreciation	3,000	118
Employee benefits	1,363	20
Lease incentives	128	-
Lease liabilities	1,278	-
Inventories	1,291	1
Cash flow hedges	265	-
Other	46	11
	7,371	150
Movements:		
Opening balance at beginning of period	9,307	139
Credited (charged) to the income statement	(1,526)	-
Credited (charged) directly to equity	(399)	-
Adjustment to prior period provision	(11)	11
	7,371	150
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in income statement		
Lay-by sales	29	12
Provision for tender forfeits	-	35
Intangible assets	180	-
Lease assets	20	-
Other	254	4
	483	51
Movements:		
Opening balance at beginning of period	626	47
(Credited) charged to the income statement	(143)	-
Adjustment to prior period provision	-	4
	483	51

Notes to the Half-Year Financial Statements (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Consolidated	
	2007	2006
	\$'000	\$'000
4 DIVIDENDS		
(a) Recognised amounts		
Dividends on fully paid ordinary shares:		
Aggregate amount of final fully franked dividend for the financial year ended 30 June 2007 of 7.24 cents (2006: nil) paid on 10 October 2007, was	5,000	-
(b) Dividends not recognised at year end		
After balance date, the Directors determined that an interim dividend of 3.31 cents per fully paid ordinary share (2006: nil) be scheduled for payment. The dividend is to be fully franked based on tax paid at 30%. The aggregate amount of the dividend scheduled to be paid on 3 April 2008 out of profits earned in respect of the financial year ending 30 June 2008, but not recognised as a liability at balance date, is	2,286	-
5 ISSUED CAPITAL		
<i>Ordinary shares</i>	31 December	30 June
Issued and fully paid	2007	2007
	69,056,822	69,056,822

6 SUBSEQUENT EVENTS

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

Notes to the Half-Year Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

7 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.

	Consolidated			Consolidated		
	2007 Australia \$000's	2007 New Zealand \$000's	2007 Total \$000's	2006 Australia \$000's	2006 New Zealand \$000's	2006 Total \$000's
Revenue						
Sales to external customers	132,752	12,880	145,632	97,984	9,877	107,861
Inter-segment sales	5,589	-	5,589	4,223	-	4,223
Other revenues	1,493	21	1,514	1,322	20	1,342
Total segment revenue	<u>139,834</u>	<u>12,901</u>	<u>152,735</u>	<u>103,529</u>	<u>9,897</u>	<u>113,426</u>
Inter-segment elimination			(5,589)			(4,223)
Non-segment revenues						
Interest revenue			220			156
Total consolidated revenue			<u>147,366</u>			<u>109,359</u>
Result						
Segment result	7,671	322	7,993	5,050	205	5,255
Unallocated expenses			121			146
Profit before tax and finance expenses			8,114			5,401
Finance expenses			(105)			(243)
Profit before tax			8,009			5,158
Income tax (expense) benefit			(2,435)			(68)
Net profit for the year			<u>5,574</u>			<u>5,090</u>
Assets and liabilities						
Segment assets	91,228	7,000	98,228	89,240	2,679	91,919
Unallocated assets			11,574			11,189
Total assets			<u>109,802</u>			<u>103,108</u>
Segment liabilities	36,522	1,646	38,168	30,313	1,580	31,893
Unallocated liabilities			882			2,212
Total liabilities			<u>39,050</u>			<u>34,105</u>
Other segment information						
Capital expenditure	8,081	738	8,819	4,241	400	4,641
Depreciation and amortisation	4,176	323	4,499	3,452	301	3,753
Significant non-cash items other than depreciation and amortisation	-	-	-	-	-	-

Notes to the Half-Year Financial Statements (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007****7 SEGMENT INFORMATION (continued)****(b) Business segments**

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

	Consolidated			Total \$000's
	Retail Stand-alone Stores \$000's	Retail Department Stores \$000's	Wholesale \$000's	
2007				
Revenue				
Sales to external customers	109,991	35,681	(40)	145,632
Tender forfeits	171	-	-	171
Segment revenue	<u>110,162</u>	<u>35,681</u>	<u>(40)</u>	<u>145,803</u>
Other segment information				
Segment assets	39,176	12,059	-	51,235
Unallocated assets				<u>58,567</u>
Total assets				<u>109,802</u>
Capital expenditure	6,732	1,630	-	8,362
2006				
Revenue				
Sales to external customers	90,554	-	17,307	107,861
Tender forfeits	109	-	-	109
Segment revenue	<u>90,663</u>	<u>-</u>	<u>17,307</u>	<u>107,970</u>
Other segment information				
Segment assets	39,928	10,177	364	50,469
Unallocated assets				<u>52,639</u>
Total assets				<u>103,108</u>
Capital expenditure	2,779	-	-	2,779

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 (the company), which comprises the condensed balance sheet as at half-year, and the condensed income statement, condensed statement of changes in equity and condensed 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, of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 establishing 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 2007 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.

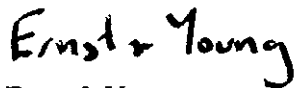
Independence

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.

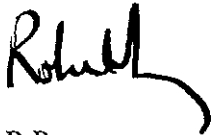
Conclusion

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 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 2007 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



R Perry
Partner
Melbourne
20 February 2008