Coventry Group Ltd

ABN 37 008 670 102

Shareholders' Half Yearly Report

Six months ended 31 December 2008

Dear Shareholder

The directors of Coventry Group Ltd present their report on the results of the Company and its controlled entities (the Group) for the six months ended 31 December 2008.

GROUP PERFORMANCE

For the six month period ended 31 December 2008, Group revenue from continuing operations decreased by 2% to $225.1 million, compared to the previous comparative period.

The Group recorded a profit before tax from continuing operations of $4.1 million compared to $4.0 million for the previous comparative period. Profit after tax was $0.7million compared to $1.8 million.

A key significant item which adversely affected the Group's performance was the impairment loss recorded against the Australian Artia business which is detailed below. This was a non-cash charge in the period. As this loss is non-tax-deductible the Group had an effective tax rate for the six month period of 69%, compared to the previous comparative period rate of 32%.

Conversely, the results were positively impacted by a net cash profit realised in the period on the sale of certain previously owned company distribution centres and branches amounting to $7.7 million. These property sales assisted the Group in reducing its net debt to $37.2 million, a 19% reduction on the previous financial year end.

The profit result was negatively impacted by a number of other factors, as follows:

- the adverse economic conditions and poor trading of the cabinet and furniture hardware businesses (Artia) in Australia necessitated a review of the carrying value of the goodwill in the business. It was decided that the goodwill was fully impaired and thus a $4.9 million loss was recorded;
- the adverse economic conditions prevailing in all markets necessitated a thorough review of stock that could be deemed excessive and also receivables that could prove to be difficult to collect. The Group provided a further $3.0 million for these items;
- as a consequence of continuing poor trading conditions in the Automotive and Artia businesses, costs associated with restructure and redundancy amounting to $0.4 million were incurred; and
- costs and expenses amounting to $0.8 million were incurred in relation to the sale and exiting of automotive businesses in Queensland and the Northern Territory in June 2008 and the Bitumen business in June 2007.

Earnings per share (basic) were 1.3 cents compared to 4.1 cents for the previous comparative period.

The results from trading in all areas were below the previous comparative period as the impact of global financial crisis affected all areas of the economy. However, the Group is already implementing cost reduction measures and initiatives to improve margins and where possible grow certain businesses and regain market share through improved customer service. Over the past two years the Group has undertaken a number of strategic decisions such as exiting non-core and non- performing businesses and divesting surplus freehold properties. These initiatives have placed the Group in a better position to counter the current economic downturn.

DIVIDEND

No interim dividend was declared for the six months ended 31 December 2008, as was also the case for the previous comparative period. The directors are of the view that until the Company's performance improves it is not appropriate for a dividend to be paid.

BUSINESS UNITS PERFORMANCE REVIEW

Automotive Parts Distribution

Revenue from the continuing operations of the automotive parts business was down 7% on the previous comparative period to $82.5 million. A loss of $ 3.3 million from the continuing operations of the automotive parts business prior to the factors detailed below was due to the slower than expected recovery in sales and operations from the disruption caused by the relocation of the Western Australian distribution centre to Redcliffe and implementation issues encountered with the Oracle IT system. Whilst gradual improvement has been achieved the rate has been further adversely impacted by the more depressed economy. The impact of the increase in provisions and the restructure and redundancy costs adversely impacted the result by $1.5m.

The South Australian business, Motor Traders, continued improvement in trading results however its performance remains below expectations.

Management focus in Western Australia is being directed to improve the level of service to its customers and lift sales performance now that the performance of the distribution centre in Redcliffe is greatly improved. The drive for South Australia is to continue to improve its trading performance and results. The business has undertaken a thorough review of its operations and cost base to align those costs to the new economic situation.

Industrial Products Distribution

Revenue for the industrial products business unit increased 1% to $138.4 million compared to the previous comparative period. Profit before tax and interest prior to the factors detailed below was $9.9 million – down 14% on the previous comparative period. The combined adverse impact from impairment losses, increase in provisions and restructure and redundancy costs was $6.7 million.

The general economic conditions facing all divisions within this business unit deteriorated as the half year progressed, with the deterioration in the value of the Australian dollar also adversely impacting results. The fastener division has some bias to infrastructure projects and accordingly as these have tended to be delayed, or in some cases cancelled, this has had a detrimental impact on results. This produced a decline in the results for the fastener division compared to the previous comparative period. The Cooper Fluid Systems division, which operates primarily in the key resources states of Queensland and Western Australia but expanded into South Australia and Victoria last year, has been impacted by project based customers in Western Australia adversely but in Queensland, favourably.

The cabinet and furniture hardware business, now trading under the name – Artia, has also suffered adverse economic and trading conditions. Sales have continued to deteriorate from the previous comparative period and the business recorded a loss for the period. As a consequence all business operations and costs have been critically reviewed and the business has been restructured under the leadership of a new general manager which took effect from January 2009 and, as described above, all associated goodwill in the Australian operation was treated as fully impaired in the six months to 31 December 2008.

During the period the senior management team was revised with the appointment of new general managers for the fastener and Cooper Fluid Systems divisions. During the period the Oracle IT system was successfully implemented in the remaining fastener operations in Australia and Artia New Zealand. The only industrial products divisions remaining to be transferred to the Oracle IT are Cooper Fluid Systems and fasteners in New Zealand.

Gasket Manufacturing

The gaskets manufacturing controlled entity recorded a decrease in revenue of 3%, over the previous comparative period, to $5.9 million. Profit before interest and tax was $0.9 million – down 8% on the previous comparative period. Generally the Australian business has performed well and showed a small year-on-year improvement, however, the much smaller New Zealand business has struggled in an economy admittedly in recession.

OUTLOOK

The first half of the 2008/9 financial year has been a challenging one for the Group. Given the impact of the global financial crisis and the volatility created in many sectors it is very difficult to predict with any certainty the Group results for the full financial year by comparison to the 2007/8 financial result. The 2007/8 result was itself subject to a large degree of disruption to the automotive business caused by the relocation of the Western Australian distribution centre to Redcliffe and implementation issues encountered with the Oracle IT system whereas 2008/09 will be more affected by the general economic downturn.

Key initiatives for the Group will be to continue to recover from the disruption and rebuild lost revenue in the Western Australian automotive business and to lift the performance of the automotive business in South Australia. Both of these are underway, and based on the current level of gradual improvement, should cause the automotive business to break even for the second half of 2008/09.

The Group's Industrial business has commenced a review of its operations and cost base in the tough economic circumstances surrounding particularly the resources sector and the consequent infrastructure projects. As far as possible it will scale its business to match its market demand.

The nature of our products is that they are not discretionary spends by our customers but are driven by actual needs such as maintenance and construction. Notwithstanding this, the aggregate demand for our products is a function of overall economic activity levels.

Roger Flynn

Executive Chairman

BUSINESS UNITS PERFORMANCE

The following table provides a summary of the revenue and net profit before interest and tax for the respective business units within the Group for the half year ended 31 December 2008 as compared to the prior comparative period.

Business segments	Automotive Parts Distribution		Industrial Products Distribution		Gasket Manufacturing		Discontinued Operations		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
Segment revenue	**82,477**	88,791	**138,388**	136,648	**5,870**	6,030	**-**	-	**(622)**	(557)	**226,113**	230,912
Unallocated revenue											**(130)**	(8)
Total segment revenue (excluding discontinued operations)											**225,983**	230,904
Segment results before significant items	**(3,288)**	(1,889)	**9,939**	11,623	**920**	1,002	**-**	-	**-**	-	**7,571**	10,736
Impairment losses	**-**	-	**(4,882)**	-	**-**	-	**-**	-	**-**	-	**(4,882)**	-
Increased provisions	**(1,280)**	-	**(1,690)**	-	**-**	-	**(36)**	-	**-**	-	**(3,006)**	-
Restructuring costs	**(241)**	-	**(114)**	-	**-**	-	**(801)**	(1,343)	**-**	-	**(1,156)**	(1,343)
Relocation costs	**-**	(2,678)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(2,678)
Segment result	**(4,809)**	(4,567)	**3,253**	11,623	**920**	1,002	**(837)**	(1,343)	**-**	-	**(1,473)**	6,715
Unallocated income/(expenses)											**6,580**	(1,920)
Results from operating activities											**5,107**	4,795
Add back results from operating activities (discontinued operation)											**837**	1,343
Results from operating activities (continued operations)											**5,944**	6,138

Discontinued operations comprise Bitumen Products, Coventry Auto Parts QLD and Independent Motor Mart that have been discontinued in June 2007 and June 2008 respectively. Comparative information has been re-presented to show comparative results of discontinued operations.

Financial Summary

Six months ended 31 December 2008

- Revenue down 2% to $225.1 million
- Profit before tax* up 2.5% to $4.1 million
- Profit after tax of $0.7 million
- Net debt down 47% to $37.2 million
- Net tangible assets per share of $3.30
- Basic earnings per share of 1.3 cents

* from continuing operations

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Share Registry

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Shareholder Calendar 2009

End of Financial Year – 30 June
Year End Results Announcement – 28 August
Annual General Meeting – 30 October