Coventry Group Ltd

ABN 37 008 670 102

Shareholders Half Yearly Report

Six months ended 31 December 2012

26 February 2013

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 month period ended 31 December 2012.

KEY POINTS

Trading:

Profit before tax from continuing operations (excluding property sales)	**$5.4M**
Profit before tax from property sales	**$0.5M**
Tax	**- $1.7M**
Net profit after tax	**$4.2M**

- **Revenue from operations up 1% to $123.7M despite tough trading conditions and severe competition in Australia and New Zealand for the Hardware and Fasteners businesses.**
- **Good trading result for both Fluids and Gaskets businesses.**
- **Continuing resources driven demand for the Fluids business in Western Australia, Queensland and South Australia.**

Shareholder Returns:

- **Interim dividend held at 11cps fully franked.**
- **Net tangible assets (NTA) / share $3.72 (share price as at close of trading on 21st February 2013 - $3.25).**
- **Earnings per share 10.4c**

Strategy – Executed To Plan:

- **Reassigned internal resources to better execute each divisions strategy.**
- **Organic growth being pursued.**
- **Gain 'critical mass' in MSS (IT services) through organic growth and strategic acquisition.**
- **Search for other value enhancing acquisitions continues – a good time to have cash – Board remains disciplined in its investment decisions.**

Outlook – H2:

- **Expect overall trading to be similar.**

RESULTS SUMMARY

	Six Months to 31.12.12	Six Months to 31.12.11	% Change
Revenue ($M)	123.7	122.7	+0.8
Profit before income tax from continuing operations ($M)	5.9	14.8	-150.8
Profit after tax ($M)	4.2	13.8	-228.6
NTA per share ($)	3.72	3.67	+1.3
Net cash ($M)	52.8	50.0	+5.3
Earnings per share – basic (cents)	10.4	34.4	-237.6

The profit before tax includes gains on the sale of property assets, the last of which were made in the first 6 months of this financial year. Without the net gain on sale of land and buildings of $0.5 million ($9.0 million – 31 December 2011), the Group's continuing profit, this year before tax was $5.4 million compared to $5.8 million for the previous comparative period. With the gains from the sale of property the Group recorded a profit before tax from continuing operations of $5.9 million compared to a profit of $14.8 million for the previous comparative period.

The profit result from continuing operations was driven through the Fluids and Gaskets businesses continuing their good performances, with the Hardware business improving it's performance from a loss before tax and finance costs of $2.3 million in the prior comparative period to $0.5 million in the current period. The Hardware business result was achieved by improved operational and cost efficiencies.

During the period, trading conditions in the Fasteners and the Hardware businesses remained difficult with intense competitive pressure. Management remains focused on improvements in these businesses and internal resources are being reassigned to better execute strategy.

Net tangible assets per share increased by 1 cent in the period to $3.72 ($3.71 - 30 June 2012).

DIVIDEND

The directors have declared a dividend of 11 cents per ordinary share, fully franked, payable on 18 March 2013 to shareholders registered as at 8 March 2013 (the record date). The dividend reinvestment plan will continue to be suspended. For the prior comparative period an 11 cents, fully franked, interim dividend was declared.

BUSINESS UNITS PERFORMANCE REVIEW

Fasteners

Revenue for the Fasteners business declined by 2.7% to $62.2 million compared to the previous comparative period. Loss before interest and tax was $0.5 million compared with a loss of $0.3 million in the previous comparative period.

A new general manager was appointed during the period, and along with his team have started to deploy the new strategy within the Fasteners business and internal resources are being redeployed into 'customer facing' roles.

The business environment remains difficult brought about by the weak construction market.

Fluids

Revenue for the Fluids business increased by 7.8% to $42.4 million compared to the previous comparative period. Profit before interest and tax was $5.8 million - down 3.4% on the previous comparative period. As the business grows investment in internal resources and infrastructure is being made to ensure future growth.

In the later part of the half year a number of customer contracts were put on hold. This hesitancy is seen by the division and management as a short term pause in customers' buying patterns.

The majority of the Fluids business customer base operates in the resource sector and they continue to expand driving increased income for the business.

Hardware

Revenue for the Hardware business declined by 7.0% to $12.6 million compared to the previous comparative period. The business recorded a loss before interest and tax of $0.5 million (loss of $2.3 million - 31 December 2011). The business benefits from cost reduction initiatives which have been made over the past 12 months and to review expenditure for opportunities to reduce cost further. The business environment remains difficult brought about by the weak construction and hospitality markets.

Gaskets

Revenue for the Gaskets business declined by 0.5% to $7.0 million compared to the previous comparative period. The business recorded a profit before interest and tax of $1.3 million - $0.3 million down on the previous comparative period. The business continues to benefit from differentiating itself in the market place through the wide product range it offers.

Managed System Services

Following the establishment of Managed System Services Pty Ltd (MSS) in late 2011, the subsidiary has continue to offer the Group's IT services to third parties. On 1 February 2013 MSS purchased the business Multiprogramming Pty Ltd (MultiPro) for cash on an asset purchase basis. MultiPro provides managed IT services predominantly into the Western Australian region and compliments the services provided by MSS. This acquisition enhances the services and capabilities of both businesses.

Corporate and Head Office

Following the exit of AHG from the Redcliffe site management have, during the period, successfully sublet the premises on favourable terms (commencing late in the first half).

OUTLOOK

The "two speed" economy continues across Australia. As a result trading conditions have been tough in a number of markets in which the Group operates. Management are actively engaged within each unit to mitigate the downside impacts. Focus is toward cost control while taking advantage of tactical expansion, like the opening of the Cooper Fluids Mt Isa branch late in 2012.

The recent acquisition of MultiPro has enhanced Managed System Services Pty Ltd's overall capabilities and ability to deliver high quality IS services to its customer base. Further expansion of this business is anticipated to come from organic growth and acquisition where the investment brings suitable returns.

The Group continues to encounter tough trading conditions in some of its markets. These conditions and uncertainties in the broader recovery of the Australian economy make it difficult to give firm guidance on future performance. However, excluding the effect of property sales in prior periods, the Group expects a gradual increase in its continuing operating profit.

Roger Flynn
Executive Chairman

Share Registry

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