Half Year in Brief

- Revenue up 2% to $245.2 million.
- Profit after tax up 16% to $7.3 million after excluding gains on the sale of company property of $3.7 million from the prior comparative period.
- Key factors which impacted the profit result:
  - improved performances by the automotive and bitumen businesses; and
  - increased costs associated with the rollout of a new IT platform and head office occupancy costs.
- Interim dividend of 18 cents per share, fully franked, unchanged from the prior comparative period (record date: 14 March 2006; payable: 23 March 2006).
- Acquisition of Cornall Merchandise and Howard Silvers Hardware by the industrial products business segment to establish a new furniture and cabinet hardware operation.

Financial Summary

Six months ended 31 December 2005

	December 2005 $'000	December 2004 $'000
Revenue	**245,200**	240,213
Profit before tax	**10,553**	9,173*
Profit after tax	**7,325**	6,288*
Basic earnings per share (cents)	**20.1**	27.9
Net tangible asset backing per share ($)	**3.35**	4.06

* excludes $3.7 million profit on sale of company property.

Business Segment Performance

The following table provides a summary of the revenue and net profit before interest and tax for the respective business segments within the Group for the half-year ended 31 December 2005 as compared to the prior comparative period.

	Automotive Parts Distribution		Industrial Products Distribution		Bitumen Products		Gasket Manufacturing		Eliminations		Consolidated	
	2005 $000	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Segment revenue	**137,621**	137,822	**94,115**	90,973	**7,703**	6,402	**6,109**	6,719	**(684)**	(2,041)	**244,864**	239,875
Unallocated corporate revenue											**336**	338
Total revenue											**245,200**	240,213
Segment net profit before interest and tax [1]	**1,937**	123	**8,852**	8,943	**662**	417	**777**	951	**-**	-	**12,228**	10,434
Pre-tax profit on sale of land and buildings											**-**	3,744
Unallocated net corporate (expense)/ revenue[1]											**(598)**	(570)
Operating profit before interest and tax											**11,630**	13,608
Net interest expense											**(1,077)**	(691)
Profit before tax											**10,553**	12,917
Income tax expense											**(3,228)**	(2,885)
Profit after tax											**7,325**	10,032

1 For the half-year ended 31 December 2004, these items are adjusted for the allocation of information services and marketing support costs that were previously unallocated. This adjustment ensures comparability with the results presented for the half-year ended 31 December 2005.

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Shareholder Calendar 2006

Record Date for Interim Dividend - 14 March

Payment of Interim Dividend - 23 March

Year End Results & Final Dividend Announcement - 21 August

Payment of Final Dividend - 14 September

2006 Annual General Meeting - 6 November

Coventry Group Ltd

ABN 37 008 670 102

Shareholders' Half Yearly Report

Six months ended 31 December 2005

Chairman's Review

Dear Shareholder

The directors of Coventry Group Ltd are pleased to report on the results of the Company and its controlled entities (the Group) for the half year ended 31 December 2005.

Group Performance

A summary of the Group's performance for the half year ended 31 December 2005 is shown in the following table:

Six month period ended 31 December	2005	2004	% Change
Revenue ($M)	245.2	240.2	2 ↑
Profit before tax ($M)	10.6	9.2*	15 ↑
Profit after tax ($M)	7.3	6.3*	16 ↑
Interim dividend per share (cents)	18	18	-

* excludes $3.7 million profit made on sale of company property

For the six month period ended 31 December 2005, revenue for the Group increased 2% to $245.2 million.

The Group recorded a profit before tax of $10.6 million compared to $12.9 million for the prior comparative period. Profit after tax was $7.3 million compared to $10.0 million for the prior comparative period.

The prior period profit includes an after tax profit from the sale of company owned property of $3.7 million.

After excluding this item, the profit after tax for the period under review represents a 16% increase on the prior comparative period.

Factors impacting the profit result included reduced losses incurred by the Group's automotive parts operations in New South Wales and Queensland and an increase in allocated costs associated with the introduction of a new IT platform for the Group and head office occupancy costs following the sale of the Company's head office in the prior period. The impact of the latter two items totalled $0.9 million before tax.

Earnings per share (basic) for the period under review was 20.1 cents compared to 27.9 cents for the prior comparative period.

Dividend

An interim dividend of 18 cents per share, fully franked, has been declared and remains unchanged from the prior comparative period. This represents a payout ratio of 90%.

The dividend will be paid on 23 March 2006 to shareholders registered as at 5.00 pm on 14 March 2006.

The dividend reinvestment plan (DRP) will continue to operate for the interim dividend. A discount of 2.5% will apply to the subscription price of shares to be issued under the DRP. Shareholders wishing to participate in the DRP for the first time will be required to lodge an application form with the Company's share registry by 14 March 2006 – the record date.

Business Segment Performance Review

Automotive Parts Distribution

The Group's automotive parts business segment recorded an improved result for the period under review. Net profit before interest and tax was $1.9 million compared to $0.1 million for the prior comparative period. Revenue was steady at $137.6 million.

After allowing for non-recurring items totalling $1.5 million in the prior comparative period (represented by $1.1 million of costs associated with stock write down and restructuring by the Group's controlled entity Coventry Auto Parts Pty Ltd (CAP) and $0.4 million AIFRS adjustments to prior year cost of sales) the profit result represents a 19% increase on the prior comparative period.

Before the allocation of corporate overheads, CAP which operates as an automotive parts distributor in New South Wales and Queensland, incurred a loss of $1.3 million during the period compared to $2.5 million for the prior comparative period.

On 1 November 2005, the assets and liabilities of CAP were transferred to the holding Company.

The Western Australian Coventrys operation achieved modest sales and profit growth. Motor Traders in South Australia achieved an improved profit result due to changes in management and is implementing initiatives to recoup lost revenue. Independent Motor Mart's operations in the Northern Territory recorded a steady profit result.

During the period in review the Group's automotive parts business segment has commenced a number of strategic initiatives with the aim of improving revenue and the division's overall performance. These initiatives cover such areas as product sourcing, sales management, operational costs and inventory management.

Industrial Products Distribution

The industrial products business segment recorded results similar to those of the prior period with a net profit before interest and tax of $8.9 million – a 1% drop on the prior comparative period. Revenue increased 3% to $94.1 million.

The performance was underpinned by the buoyant Western Australian and Queensland economies with operations in those states recording strong results. Solid performances were also achieved by Coventry Fasteners in New South Wales and South Australia. However, disappointing results were recorded in Victoria where the business segment is experiencing increased competition and in New Zealand, where Hylton Parker Fasteners Limited (Hylton Parker) is operating in an economy which is in the midst of a downturn.

During the period under review Coventry Fasteners established a new state office and distribution centre at Laverton, Victoria. Since the end of the reporting period, a similar facility was opened at Pinkenba, Queensland. As a consequence, the business segment is expecting to significantly improve customer service with the centralisation of certain key business functions.

On 1 July 2005 the business of AmTech Fastenings and Components Ltd, a New Zealand based fastener distributor, was acquired. The acquisition has broadened the operations of Hylton Parker.

On 1 December 2005, the business of Cornall Merchandise, a cabinet and furniture hardware distributor in Australia and New Zealand, was acquired. This established a new operational arm for the industrial products business segment. Since the end of the period under review, the division has acquired the business of Howard Silvers Hardware which has operations similar to Cornall. The transaction was completed on 3 January 2006 and further builds on the new cabinet and hardware activities of this business segment.

Bitumen Products

Net profit before interest and tax increased 59% on the prior comparative period to $0.7 million. Revenue increased by 20% to $7.7 million. The improved result was attributable to Hot Mix's asphalt activities which had greater volumes through successful local council tendering. However, Bitumen Emulsions spray and cover operations are experiencing below budget results due to the impact of higher oil prices and mild weather which has reduced the demand for emulsion as a dust suppressant. Weather permitting, it is expected that Hot Mix's current order book will result in an improved second half performance for this business segment.

Gasket Manufacturing

The gasket manufacturing business segment recorded a net profit before interest and tax of $0.8 million, down 18% on the prior comparative period. Revenue decreased 9% to $6.1 million. The performance was impacted by a relatively soft operating environment. It is expected that the gasket operations will continue to experience flat market conditions.

Australian Equivalents to International Financial Reporting Standards (AIFRS)

The Group has adopted the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

This is the Group's first consolidated interim financial report prepared in accordance with the requirements of AIFRS. As required under AASB1 "First time adoption of Australian equivalents to International Financial Reporting Standards", transition adjustments have been made to the opening balance sheet as at 1 July 2004 and to all comparative financial information to reflect the requirements of the new accounting standards.

The adoption of AIFRS has not had significant impact on the cashflows or dividend policy of the Group. The key areas where AIFRS has impacted the Group are:

- goodwill is no longer amortised over twenty years but is instead tested for impairment each year; and
- inventory acquired through business acquisitions has been adjusted to fair value, with a consequential increase to cost of sales until the acquired inventory is sold. The impact on the consolidated profit before tax for the period was a decrease of $385,000 (2004: $461,000).

Outlook

Trading conditions for the second half of the 2005/06 financial year are expected to continue on similar levels to those experienced in the first half with the full year profit result expected to exceed the previous year (excluding prior year gains on the sale of company property).

Change initiatives being implemented across the automotive parts business segment should result in a continued improvement in its revenue and profit performance.

The industrial products business segment should expect an improved second half performance with the integration of the Cornall and Howard Silvers Hardware acquisitions. However, their profit contributions in this period will be reduced by non-cash acquisition adjustments required under the new accounting standards.

The bitumen products segment is expected to continue to achieve improved results while the gasket manufacturing activities will operate in a flat market.

Yours faithfully

WARWICK KENT, AO
CHAIRMAN