



# Coventry Group Ltd

ABN 37 008 670 102

## Shareholders' Half Yearly Report

Six months ended 31 December 2007

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 half year ended 31 December 2007.

### GROUP PERFORMANCE

The Group recorded a profit before tax of \$2.7million compared to \$3.2million for the previous comparative period. Profit after tax was \$1.8million compared to \$0.6million.

The profit result was negatively impacted by two factors. Costs related to the relocation of Corporate and Divisional headquarter operations and the Western Australian automotive distribution centre from Morley to Redcliffe amounted to \$2.7million. Additional provisions required in respect of discontinued operations amounted to \$0.3million. The disruption caused by the implementation of the Oracle IT system into the Coventry's automotive business in Western Australia followed by the move of the distribution centre had a major adverse impact on the six month results. The Automotive business is recovering from these setbacks but is unlikely to make a full recovery this financial year. The business believes that the investment made will yield significant benefits in the future.

The Industrial Products and Gasket manufacturing businesses have performed well as described below.

### DIVIDEND

In view of the poor trading results the directors have decided that no interim dividend be declared for this period, compared to 17 cents per share, fully franked, for the previous comparative period. The directors retain the view that the Group will return to paying a dividend as soon as it is prudent to do so.

### BUSINESS UNITS PERFORMANCE REVIEW

#### System Stability

In F07 and the first quarter of F08, major disruptions were caused to our businesses by significant system instability which included basic business transaction capability being unavailable during business hours. Additionally, some of the systems roll-outs needed significant follow-on work to address functionality and training deficiencies. Obviously the Board was disappointed at this situation and the consequential impacts on our businesses as a result of the drop in customer service.

In the second quarter of F08 the major new enterprise IT system was stabilised and we have now had around four months with minimal outages. Work is progressing on retraining staff and remedying system limitations in order to further improve customer service levels.

There has been a hiatus in the roll-out of the new system to the balance of our operating units to allow this stabilisation and improvement process to be implemented.

#### Automotive Parts Distribution

Revenue from the automotive parts business was down 12% on the previous period to \$107.5 million. A loss of \$5.5 million for the business reflects the disruption caused by the relocation of the Western Australian distribution centre to Redcliffe (cost \$2.7 million - now completed) and implementation issues encountered with the new Oracle IT system.

The South Australian business, Motor Traders, continued improvement in trading results as it recovered from the disruption caused from its Oracle implementation in 2006; however it continues to perform below expectations.

Similarly the Queensland business has traded stronger than last year but continues to perform below expectations.

The Northern Territory division, Independent Motor Mart, recorded a disappointing performance during the review period.

Management focus is being directed to improve the level of service to its customers now that the move to the new distribution centre in Redcliffe is complete. In other States the priority is to continue to lift revenue growth and improve profitability.

In November Geoff Wilton joined Coventry Group as General Manager of the Automotive Division.

#### Industrial Products Distribution

Revenue for the industrial products business unit increased 5% to \$136.6 million. Profit before tax and interest at \$11.7 million was 1% ahead of the previous comparative period.

Whilst operating in a favorable trading environment, the fasteners business did not fully capitalise on those conditions as it continues to bed down IT system implementation issues. This produced a steady result for the fastener business. The Cooper Fluid Systems business which operates in the resources sector of Queensland and Western Australia, performed well above expectations. Its activities have been expanded with the establishment of a new branch in Adelaide in October 2007. A further expansion has occurred in early 2008 with the establishment of a branch in Melbourne.

Integration of the cabinet and furniture hardware business has now been completed. The business was re-branded and launched under the new trading name - Artia and is well positioned to capitalise on growth opportunities.

#### Gasket Manufacturing

The gasket manufacturing controlled entity recorded an increase in revenue of 8%, over the previous comparative period, to \$6 million. Profit before interest and tax was \$1 million - up 68% on the previous comparative period. Buoyant trading conditions and lower costs from improved purchasing and favorable exchange rates together with strong leadership contributed to the good operating result.

## OUTLOOK

The first half of the 2007/08 financial year has been a challenging one for the Group. After excluding the impact of significant individual items it is probable that the Group's profit after tax from continuing operations for the full year will be significantly below that of the prior year. However the uncertainties surrounding the speed of recovery of the automotive business in Western Australia makes it difficult to quantify this with any degree of certainty.

The general economic outlook for Group businesses remains favorable although all sectors in which the Group operates are competitive. This could lead to some industry rationalisation particularly in the automotive sector in the wake of the National Parts demise.

Key initiatives for the Group will be to recover swiftly from the disruption caused by the move of the automotive distribution centre to Redcliffe, improve customer service and rebuild lost revenue in the Western Australian automotive business and lift the performances of the automotive businesses in other States.

The Group's Industrial business should continue to operate in a buoyant mining and resource sector; however a rising interest environment may lead to a softening in the construction market.

## BOARD APPOINTMENT

The Board is pleased to announce that effective today, the Group General Manager of our Industrial Products business, Vince Scidone, has been appointed an Executive Director of Coventry Group Ltd. Vince joined Coventry in 1996 and has spent most of his years with us leading the profitable growth of the Industrial business.



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 2007 as compared to the prior comparative period.

	Automotive Parts Distribution		Industrial Products Distribution		Bitumen Products (Discontinued)		Gasket Manufacturing		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment revenue	107,522	121,744	136,648	130,552	(27)	8,115	6,030	5,581	(557)	(1,244)	249,616	256,633
Unallocated revenue											117	28
Total revenue											249,733	256,661
Segment results before significant items	(2,888)	1,321	11,713	11,635	-	300	1,002	597	-	-	9,827	13,853
Impairment losses	-	(6,132)	-	-	-	-	-	-	-	-	-	(6,132)
Restructuring costs	40	-	-	-	(384)	-	-	-	-	-	(344)	-
Relocation costs	(2,678)	-	-	-	-	-	-	-	-	-	(2,678)	-
Segment result	(5,526)	(4,811)	11,713	11,635	(384)	300	1,002	597	-	-	6,805	7,721
Unallocated expenses											(1,795)	(1,808)
Results from operating activities											5,010	5,913
Less: Results from operating activities (discontinued operation)											-	301
Results from operating activities (continued operations)											5,010	5,612

## Financial Summary

### Six months ended 31 December 2007

- Revenue down 3% to \$249.7 million
- Normalised EBIT down 32% to \$8.0 million
- Normalised profit after tax down 42% to \$3.9 million
- Normalised earnings per share of 9.5 cents
- Profit before tax of \$2.7 million
- Profit after tax of \$1.8 million
- Basic earnings per share of 4.1 cents

The full financial report can be accessed on the company's website - [www.cgl.com.au](http://www.cgl.com.au)

## Registered Office

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## Internet Address

[www.cgl.com.au](http://www.cgl.com.au)

Company reports are available at this website.

## Share Registry

Computershare Investor Services Pty Ltd  
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Internet Address: [www.computershare.com](http://www.computershare.com)

## Shareholder Calendar 2008

End of Financial Year - 30 June  
Year End Results Announcement - 22 August  
Annual General Meeting - 6 November