Coventry Group Ltd

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

SUMMARY

The directors of Coventry Group Ltd (Coventry) (ASX Code: CYG) are pleased to announce the results of what has been, in many ways, a watershed year for the Company.

During the year ended 30 June 2009, Coventry completed its IT roll-out, reduced its net debt to $15.1 million, for a net debt to equity ratio of 9%, without raising fresh equity and markedly improved its operating efficiency and cost structure.

Markets for the industrial business were strong until around mid November 2008 but then dropped significantly as projects were deferred and customer stocks were run down. This resulted in a big drop in the second half industrial profits. Subsequent cuts to our cost structure and a gradual lift in sales levels this year should significantly improve Coventry's profit position.

Conversely, the automotive business which made a loss in the first half of the year, moved back into profitability in the second half, despite tough market conditions.

The gaskets business had another profitable year.

Operating EBITA from continuing operations, before individually material items was $8.0 million for the year and profit before tax and individually material items was $4.8 million.

As announced on 3 July, a 5¢ fully franked dividend has been declared and full details are available in this release.

RESULTS

	Year ended 30.06.09	**Year ended 30.06.08**	**% Change**
Revenue from continuing operations ($M)	421.5	450.9	-7
Net (loss)/profit after tax ($M)	(1.0)	6.9	-
NTA per share ($)	3.30	3.24	+2
Net debt ($M)	15.1	45.8	-67
EPS - basic (cents)	(3.6)	16.6	-

The pre tax results for the 2008/09 financial year were impacted by a number of material items as follows:

	$M
Impairment loss on goodwill	(6.9)
Net gain on sale of land and buildings	11.3
Additional provisions	(4.5)
Redundancy costs	(1.1)
Restructuring costs	(2.6)
Total	(3.8)

Due to lower than expected sales and lower profits for certain divisions within the Company's industrial business unit there was a need to recognise a reduction in the carrying value of goodwill for some of these divisions. This resulted in an impairment loss of $6.9 million. On the other hand, sales of freehold properties during the year that were surplus to the Company's needs resulted in net gains of $11.3 million. Additional provisions covering inventory, debtors and a lease commitment associated with a business disposed of in the prior year totalled $4.5 million. Other items relating to redundancy and restructuring costs were incurred as part of downsizing business activities in light of weaker market conditions.

On a positive note, the Company's net debt position continues to improve having reduced 67% to $15.1 million without the issue of any new shares. The key initiatives that have contributed to a reduction of the Company's net debt are:

- sale of 8 freehold properties;
- reduction in inventory levels - $15.8 million since 31 December 2008; and
- reduction in trade and other receivables -$9.8 million since 31 December 2008 and $23.3 million since 30 June 2008.

The reduction in both inventories and receivables have been assisted by the additional analytic tools available from the new Company-wide IT system.

The results for the 2008/09 financial year were also adversely impacted by the Company's tax rate. The effective tax rate for the year ended 30 June 2009 was 77.3% due primarily to the fact that the impairment of goodwill ($6.9 million) is a non-deductible expense for tax purposes.

DIVIDEND

On 3 July 2009, the directors declared a dividend of 5 cents per share, fully franked. The dividend will be paid on 25 September 2009 with a record date of 8 September 2009. The Company's dividend reinvestment plan has been reactivated for this dividend with a discount of 5%.

BUSINESS UNITS PERFORMANCE REVIEW

Industrial Products Distribution

Revenue from the industrial business was $247.1 million compared to $272.7 million for the prior year. Profit before individually material items, interest and tax was down 48% to $11.1 million.

The business has been significantly impacted by depressed market conditions, particularly in the resources and construction sectors with consequent weaker sales across all the industrial divisions. This was particularly evident in the second half of the 2008/09 financial year. Restructuring initiatives involving branch closures, staff redundancies and inventory reductions have been implemented to counter the changed trading environment. On the positive side, the cabinet and furniture hardware division, Artia, has seen an improvement in performance following a management restructure.

The rollout of the new IT system has been completed for the remaining divisions within the business which should result in improved operating efficiencies. The simplified and leaner business structure is well placed to capitalise on any market growth.

Automotive Parts Distribution

Revenue for the automotive parts business decreased marginally to $163.3 million – a drop of 3%. A loss before individually material items, interest and tax of $2.8 million represented a 67% improvement on the prior year.

During the 2008/09 financial year the business undertook significant steps to review its operations and reduce its cost structure. Whilst a loss overall was recorded, both divisions in Western Australia and South Australia reported significantly improved trading results from the prior year. For the second half of the 2008/09 financial year, the automotive business traded profitably. Management is continuing to examine initiatives to improve the overall performance of the automotive business and to derive maximum operational benefits from the new IT system.

Gasket Manufacturing

The Company's controlled entity, AA Gaskets Pty Ltd, achieved a 2% increase in revenue to $11.8 million. Profit before interest and tax of $2.1 million was a 6% increase on the prior year.

Whilst generally the business performed well given the overall tough trading environment, the Australian operations continue to outperform the New Zealand activities which operate in a more depressed economy.

OUTLOOK

Whilst the Directors have confidence that the businesses are now cost effectively positioned and will continue to trade profitably, the matter that the Directors cannot determine with any accuracy, is the relative rate of recovery of the economy and the sectors in which the businesses operate. Thus, it is considered premature to give any quantified financial outlook at this time. The Directors will continue to monitor the situation and will advise the market accordingly as soon as any sustainable trends are evident.

For further information, please contact:

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