

ASX Release

24 February 2010

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

The Directors of Coventry Group Ltd (CGL) (ASX Code: CYG) today announced the audit reviewed Net Profit of \$2.4 million for the Group for the six months ended 31 December 2009. This is a 243% increase compared to the first half of FY09 despite a 13% reduction in CGL revenues for the same period.

Key Points Are:

- **As forecast, H1 trading conditions were tough but H2 has the prospect of being slightly better.**
- **Despite this –**
 - **Net profit rose 243% to \$2.4m**
 - **Net debt reduced 84% to \$6.0m**
 - **EPS rose 315% to 5.4¢**
- **No equity raising.**
- **Net debt/equity reduced from 8.9% to 3.5%.**
- **NTA/share rose slightly to \$3.31 after a 5¢ dividend paid in H1.**
- **Directors have declared a 6¢ interim dividend to be paid in H2.**
- **Trading, operational and productivity initiatives continue to make us a more competitive operator for the future.**

Whilst trading conditions were still tough in the first half good cost control has allowed improved profitability. Particularly the Industrial fastener business suffered with sales more than 20% below the same period in FY09. Operational cash generation was supplemented by further asset sales and good working capital management. This allowed net debt to fall to \$6.0 million.

Because of the reduction in debt levels and the improved performance, CGL will pay a 6 cents interim dividend. The total dividend declared for FY09 was 5 cents.

There are signs that the resource centred states of Western Australia and Queensland will enjoy good industrial activity for the next few years. However, the timing of recovery and CGL's ability to share in the opportunities are still uncertain. Predictions for the second half and beyond are therefore unclear. What is clear is that CGL has now the cost structure to ensure that increased sales will add to net margins.

RESULTS SUMMARY

	Six Months to 31.12.09	Six Months to 31.12.08	% Change
Revenue (\$M)	195.6	225.1	(13)
Profit before income tax from continuing operations (\$M)	3.5	4.1	(14)
Profit after tax (\$M)	2.4	0.7	243
NTA per Share (\$)	3.31	3.30	0.3
Net Debt (\$M)	6.0	37.2	(84)
Earnings per share – basic (cents)	5.4	1.3	315

For the six month period ended 31 December 2009, Group revenue from continuing operations decreased by 13% to \$195.6 million, compared to the previous comparative period.

The Group recorded a profit before tax from continuing operations of \$3.5 million compared to \$4.1 million for the previous comparative period. Profit after tax was \$2.4 million compared to \$0.7 million.

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

- in line with Group policy to move all wholly owned operations on to a stock provisioning basis based on likely forward sales, which requires the Oracle IT system to be in place for 6 months, the last implemented businesses, Coopers Fluid Systems and NZ operations, were assessed and this necessitated an increase of \$1.1 million (2008 : \$1.5 million) in provisioning. Additionally the Group provided an amount of \$0.4 million (2008 : \$1.4 million) for long outstanding debts now not considered recoverable; and
- as a consequence of continuing poor trading conditions, costs associated with restructure and redundancies amounting to \$0.5 million (2008 : \$0.4 million) were incurred.

However the result was also positively impacted by net profit of \$1.1 million (2008 : \$7.7 million) realised on the sale of one previously owned property. In addition there was no goodwill impairment for the period (2008 : \$4.9 million).

Group net debt reduced to \$6 million, a 84% reduction on the previous comparative period. Property sales have made a minor contribution to this outcome but the greater impact has come from the continuing reduction in working capital especially better inventory management and improved collections from debtors, now possible under the Oracle IT System.

The results from trading in the automotive parts distribution and the gaskets manufacturing businesses were markedly above the previous comparative period, However as the impact of the global economic crisis affected all areas of the economy from November 2008 and as the industrial products distribution business is heavily exposed to the general economy, its trading results were markedly below those of the previous comparative period. The results from trading did however show consistent improvement from the low point of the final (June) quarter of the last financial year.

Earnings per share (basic) were 5.4 cents compared to 1.3 cents for the previous comparative period.

DIVIDEND

The Directors have declared a dividend of 6 cents per ordinary share, fully franked, payable on 23 March 2010 to shareholders registered as at 10 March 2010 (the record date). The dividend reinvestment plan (DRP) will continue to operate for this dividend with a 2.5% discount to market. No interim dividend was declared for the six months ended 31 December 2008.

The last election date for shareholders wishing to participate for the first time or withdraw from the DRP is 10 March 2010 – the record date. The DRP share price will be determined during a period of 5 trading days commencing on and including the record date – ie 10 March 2010 to 16 March 2010.

BUSINESS UNITS PERFORMANCE REVIEW

Automotive Parts Distribution

Revenue of the automotive parts business was up 1% on the previous comparative period to \$82.9 million. A profit before material items, interest and tax of \$2 million compared to a loss of \$3.3 million for the previous comparative period was recorded. These results are from trading and do not reflect the large costs associated with business disruption impacts in the previous comparative period nor the impacts of restructure/redundancy costs as the business continues to streamline operations and reduce costs.

The South Australian business, Motor Traders, continued improvement in trading results and whilst its current performance remains below internal expectations it is operating at acceptable levels.

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 and is arguably offering the best automotive parts distribution service in the state. The drive for South Australia is to continue to improve its trading performance and results which again will come largely through increased sales.

The business has undertaken a thorough review of its operations and cost base to align those costs and whilst there is always room for improvement this task is largely complete.

Since the end of the last financial year the business has opened 3 new branches in strategic locations to capitalise on sales growth opportunities.

Industrial Products Distribution

Revenue for the industrial products business unit decreased 22% to \$107.5 million compared to the previous comparative period. Profit before interest and tax prior to the factors detailed below was \$3 million – down 70 % on the previous comparative period. The combined adverse impact from an increase in provisions and restructure and redundancy costs was \$1.6 million. This is below the figure of \$6.7 million recorded in the previous corresponding period as that was also impacted by goodwill impairment in respect of the Artia business.

The general economic conditions facing all divisions within this business unit deteriorated significantly from late November 2008 with the low point felt in the June 2009 quarter. The impact of the global economic crisis has been most markedly felt by the fastener division which has a bias to infrastructure projects. As these projects were delayed, or in some cases cancelled, this had a detrimental impact on the fastener division results and as a consequence produced a significant decline in its results compared to the previous comparative period. The Cooper Fluid Systems division, which operates primarily to resources customers based in the key resources states of Queensland and Western Australia but expanded into South Australia and Victoria, has been similarly impacted. As a consequence the Victorian operation was closed during the period.

The cabinet and furniture hardware business, Artia, has by comparison suffered somewhat less severely in the adverse economic and trading conditions. Sales have continued to deteriorate from the previous comparative period but the business has recovered to record a small profit for the period compared to a small loss for the previous comparative period. The business restructure under the leadership of a new general manager which took effect from January 2009 has dramatically improved all areas of operation.

The recent improvement in economic conditions and resumption of economic activity should, if it continues, mean that the results of this business unit continue to improve.

Gasket Manufacturing

The gaskets manufacturing controlled entity recorded an increase in revenue of 14 %, over the previous comparative period, to \$6.4 million. Profit before interest and tax was \$1.3 million – up 40 % on the previous comparative period.

OUTLOOK

As has been previously reported, the Group has operated at a highly efficient level in the first half of the 2009/10 financial year, with the key contributing factors being:-

- all wholly owned businesses operated on the Oracle IT system, which in turn was operating dependably and delivering very good analytic capability;
- stable and strong leadership was in place in all key management positions;
- key business assets particularly the automotive parts distribution centre at Redcliffe were operating at high levels of effectiveness;
- a thorough review of all operations and costs has led to significant cost reductions; and
- strong balance sheet and net debt position.

However the general economic conditions remained very unfavourable for the majority of the period and whilst there is some optimism that business confidence and economic activity has improved and will continue to do so, this optimism has proven in the recent past to be fragile.

A key initiatives for the Group will be to continue to rebuild lost revenue in the Western Australian automotive business and also to continue to increase revenue of the automotive business in South Australia. As the cost structures of both businesses have been addressed, continuing improvement in profit levels is expected.

The Group's Industrial business continues to be the most difficult to predict. Like the automotive business its cost structure has largely been addressed and the relative rate of profit improvement will be influenced by the rate of increase in general economic activity. Additionally initiatives by our business leaders to grow our sales are crucial.

The Group's gaskets business should continue to prosper but it may prove difficult to maintain recent record levels.

In summary it remains difficult to give firm guidance but given economic improvement, gradual improvement in the Group's operating profit is likely.

For further information, please contact:

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