Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market

Six Months Ended 31 December 2011

			$000
Revenues from continuing activities	Up	6% to	122,678
Profit from ordinary activities after tax attributable to members	Up	N/A	13,462
Net profit for the period attributable to members	Up	N/A	13,462

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend	11 cents	11 cents
Date the dividend is payable	20 March 2012	
Record date for determining entitlements to the dividend	~~9 March~~ 2012	

Amount of dividend per security

		Amount per security	Franked amount per security at 30% tax
Interim dividend	current year	11 cents	11 cents
	previous year	6 cents	6 cents

Dividend reinvestment plan (DRP)

The Company's DRP will continue to be suspended for this dividend.

Net Tangible Assets Per Security	
As at 31 December 2011	$3.67
As at 31 December 2010	$3.34

For an explanation of the figures reported above see the attached commentary.

The attached financial statements and Directors' declaration have been subject to an independent audit review.

Coventry Group Ltd

ABN 37 008 670 102

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 December 2011

Coventry Group Ltd and its controlled entities

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Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Consolidated statement of comprehensive income
For the six months ended 31 December 2011

In thousands of AUD	*Note*	Consolidated 2011	2010 Represented*
Continuing operations			
Revenue from sale of goods		122,678	115,824
Cost of sales		(73,154)	(68,410)
Gross profit		49,524	47,414
Other revenue		1,219	918
Other income		10,196	(6)
Employee expense		(25,274)	(28,876)
Depreciation and amortisation expenses		(1,069)	(1,581)
Occupancy costs		(4,665)	(3,425)
Communication costs		(1,226)	(1,159)
Freight		(3,515)	(3,661)
Impairment of goodwill	6	-	(21,262)
Other expenses		(11,616)	(8,274)
Profit/(loss) before financing costs		13,574	(19,912)
Financial income		1,255	267
Financial expenses		(1)	(78)
Net financing costs		1,254	189
Profit/(loss) before income tax		14,828	(19,723)
Income tax expense		(4,408)	(694)
Profit/(loss) from continuing operations for the year		10,420	(20,417)
Discontinued operations			
Profit from discontinued operations (net of income tax)	3	3,361	815
Profit/(loss) for the year		13,781	(19,602)
Other comprehensive income/(loss)			
Foreign currency translation differences		174	(1,195)
Other comprehensive income/(loss) for the year, net of income tax		174	(1,195)
Total comprehensive income/(loss) for the year		13,955	(20,797)
Profit/(loss) attributable to:			
Equity holders of the Company		13,462	(19,876)
Minority interest		319	274
Profit/(loss) for the year		13,781	(19,602)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		13,643	(21,049)
Minority interest		312	252
Total comprehensive income/(loss) for the year		13,955	(20,797)
Earnings/(Loss) per share:			
Basic earnings/(loss) per share:		34.3 cents	(49.8)cents
Diluted earnings/(loss) per share:		34.3 cents	(49.8)cents
Continuing operations			
Basic earnings/(loss) per share:		25.7 cents	(51.8)cents
Diluted earnings/(loss) per share:		25.7 cents	(51.8)cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

** Represented, please refer to Note 3*

Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Consolidated statement of changes in equity attributable to equity holders of the parent for the six months ended 31 December 2011

In thousands of AUD	Share-based payments reserve	Hedging reserve	Translation reserve	Realisation reserve	Other reserves	Total reserve	Share capital	Retained earnings	Total for members of the company	Minority interest	Total equity
balance as at 1 July 2011											
Total equity at the beginning of the financial year	328	-	(2,552)	25,282	-	23,058	113,658	8,560	145,276	2,730	148,006
Profit/(loss) for the year	-	-	-	-		-	-	13,462	13,462	319	13,781
Other comprehensive income											
Transfer profit on sale of land & building to asset realisation reserve	-	-	-	2,132	-	2,132	-	(2,132)	-	-	-
Foreign currency translation differences, net of tax	-	-	181	-		181	-	-	181	(7)	174
Total other comprehensive income	-	-	181	2,132	-	2,313	-	(2,132)	181	(7)	174
Total comprehensive income for the year	-	-	181	2,132	-	2,313	-	11,330	13,643	312	13,955
Transactions with owners, recorded directly in equity											
Own shares acquired	-	-	-	-		-	(3,722)	-	(3,722)	-	(3,722)
Share based payment transactions	115	-	-	-		115	-	-	115	-	115
Employee share issue	-	-	-	-		-	-	-	-	-	-
Dividends to equity holders / re-invested	-	-	-	-		-	-	(4,380)	(4,380)	-	(4,380)
Total transactions with owners	115	-	-	-	-	115	(3,722)	(4,380)	(7,987)	-	(7,987)
Balance as at 31 December 2011											
Total equity at the end of the financial year	443	-	(2,371)	27,414	-	25,486	109,936	15,510	150,932	3,042	153,974

Dividends

	2011	2010
The following dividends were declared and paid by the consolidated entity for the six months ended 31 December:	$'000	$'000
$0.11 per ordinary share fully franked ($0.08 per ordinary share fully franked for 2010)	4,380	3,190

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity attributable to equity holders of the parent for the six months ended 31 December 2010

In thousands of AUD	Share-based payments reserve	Hedging reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the company	Minority interest	Total equity
balance as at 1 July 2010										
Total equity at the beginning of the financial year	214	-	(1,119)	25,282	24,377	113,442	33,497	171,316	2,725	174,041
Profit/(loss) for the year	-	-	-	-	-	-	(19,876)	(19,876)	274	(19,602)
Other comprehensive income										
Foreign currency translation differences, net of tax	-	-	(1,173)	-	(1,173)	-	-	(1,173)	(22)	(1,195)
Total other comprehensive income	-	-	(1,173)	-	(1,173)	-	-	(1,173)	(22)	(1,195)
Total comprehensive income for the year	-	-	(1,173)	-	(1,173)	-	(19,876)	(21,049)	252	(20,797)
Transactions with owners, recorded directly in equity	14,411									
Own shares acquired	-	-	-	-	-	(49)	-	(49)	-	(49)
Share based payment transactions	143	-	-	-	143	-	-	143	-	143
Employee share issue	-	-	-	-	-	401	-	401	-	401
Dividends to equity holders / re-invested	-	-	-	-	-	-	(3,190)	(3,190)	(248)	(3,438)
Total transactions with owners	14,587	-	-	-	143	352	(3,190)	(2,695)	(248)	(2,943)
Balance as at 31 December 2010										
Total equity at the end of the financial year	14,801	-	(2,292)	25,282	23,347	113,794	10,431	147,572	2,729	150,301

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Consolidated statement of financial position as at 31 December 2011

In thousands of AUD	**Note**	**31 December 2011**	**30 June 2011**
Current Assets			
Cash and cash equivalents		50,007	7,066
Trade and other receivables		38,910	59,097
Inventories		52,507	53,173
Assets classified as held for sale	4	1,172	37,784
Total current assets		142,596	157,120
Non-current Assets			
Trade and other receivables		5,000	-
Deferred tax assets		8,230	13,545
Property, plant and equipment	7	18,652	17,033
Intangible assets	6	10,065	10,009
Total non current assets		41,947	40,587
Total assets		184,543	197,707
Current Liabilities			
Trade and other payables		21,281	37,593
Employee benefits		7,439	7,067
Liabilities classified as held for sale			3,235
Income tax payable		265	327
Provisions		314	299
Total current liabilities		29,299	48,521
Non-current Liabilities			
Trade and other payables		104	-
Employee benefits		926	841
Provisions		240	339
Total non current liabilities		1,270	1,180
Total liabilities		30,569	49,701
Net assets		153,974	148,006
Equity			
Issued capital	9	109,936	113,659
Reserves		25,486	23,057
Retained earnings		15,510	8,560
Total equity attributable to equity holders of the Company		150,932	145,276
Minority interest		3,042	2,730
Total equity		153,974	148,006

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Consolidated statement of cash flows
For the six months ended 31 December 2011

In thousands of AUD	*Note*	2011	2010
Cash flows from operating activities			
Cash receipts from customers		153,706	228,341
Cash paid to suppliers and employees		(149,144)	(229,316)
Cash generated from operations		4,562	(975)
Interest paid		(1)	(72)
Income taxes received/(paid)		(662)	(540)
Net cash from operating activities		3,899	(1,587)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		19,912	52
Interest received		1,239	80
Dividends received		-	-
Disposal of discontinued operation, net of cash disposed of	3	28,943	-
Acquisition of property, plant and equipment	7	(2,849)	(3,629)
Acquisition of intangible assets		(101)	(93)
Net cash from investing activities		47,144	(3,590)
Cash flows from financing activities			
Proceeds from borrowings		-	11,000
Repayment of borrowings		-	(7,759)
Payments for share buy-back		(3,722)	(49)
Payments for settlement of derivatives		-	-
Dividends paid		(4,380)	(3,190)
Dividends paid to outside equity interests		-	(248)
Net cash used in financing activities		(8,102)	(246)
Net increase in cash and cash equivalents		42,941	(5,423)
Cash and cash equivalents at 1 July		7,066	5,730
Cash and cash equivalents at 31 December, net of bank overdraft		50,007	307
Bank overdraft		-	1,351
Cash and cash equivalents as at 31 December		50,007	1,658

The above consolidated statement of cash flows are to be read in conjunction with the accompanying notes.

Notes to the consolidated financial report
For the six months ended 31 December 2011

1. Significant accounting policies

(a) Reporting entity

Coventry Group Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprise the Company and its controlled entities (together referred to as the "Group"). The Group primarily is involved in the distribution of fasteners and hardware products, the provision of fluid hydraulic services and the manufacture and distribution of gaskets (see note 2).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2011 are available upon request from the Company's registered office at 525 Great Eastern Highway Redcliffe WA 6104 Australia or at www.cgl.com.au

(b) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

These consolidated interim financial statements were approved by the Board of Directors on 22 February 2011.

(c) Change in accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2011.

(d) Basis of preparation

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Estimates

The preparation of a consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

(f)

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2011.

2. Segment reporting

The Group had 3 reportable segments which were its strategic business units. With the sale of the WA automotive parts distribution business the Executive Chairman commenced reviewing internal management reports that separated the Industrial unit into 3 businesses. The Group now reports 5 segments, as described below. These segments offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Executive Chairman reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Automotive* : Includes distribution of automotive parts
- *Fasteners* : Includes distribution and marketing of fastener products
- *Fluids* : Includes the design, manufacture, distribution and installation of lubrication and hydraulic fluid systems and hoses
- *Hardware* : Includes the importation, distribution and marketing of hardware components and finished products
- *Gaskets* : Includes manufacturing and distributing gaskets

The comparatives for the former Industrial business unit have been represented.

Business Segments	Automotive (discontinued)		Fasteners		Fluids		Hardware		Gaskets		Total	
In thousands of AUD	2011	2010	2011	2010 Represented	2011	2010 Represented	2011	2010 Represented	2011	2010	2011	2010
External sales	338	86,492	63,473	64,747	39,218	30,429	13,056	14,344	6,931	6,304	123,016	202,316
Other revenue	2	331	401	346	102	82	299	295	90	83	894	1,137
External revenue	340	86,823	63,874	65,093	39,320	30,511	13,355	14,639	7,021	6,387	123,910	203,453
Inter segment revenue	-	-	5	1	(32)	27	219	-	-	277	192	305
Total revenue for reportable segments	340	86,823	63,879	65,094	39,288	30,538	13,574	14,639	7,021	6,664	124,102	203,758
Reportable segment profit/(loss) before finance costs, income tax and material non-cash items	4,802	1,235	(270)	(1,208)	6,014	3,438	(785)	(459)	1,635	1,348	11,396	4,354
Impairment losses	-	-	-	(21,262)	-	-	-	-	-	-	-	(21,262)
Increased inventory provisions	-	-	-	-	-	-	(1,491)	-	-	-	(1,491)	-
Restructuring costs	-	(70)	(11)	(117)	-	-	-	-	-	-	(11)	(187)
Reportable segment profit/(loss) before finance costs and income tax	4,802	1,165	(281)	(22,587)	6,014	3,438	(2,276)	(459)	1,635	1,348	9,894	(17,095)

Business Segments	Automotive (discontinued)		Fasteners		Fluids		Hardware		Gaskets		Total	
In thousands of AUD	31 December 2011	30 June 2011	31 December 2011	30 June 2011 Represented	31 December 2011	30 June 2011 Represented	31 December 2011	30 June 2011 Represented	31 December 2011	30 June 2011	31 December 2011	30 June 2011
Reportable segment assets	29	53,266	51,715	54,739	27,008	24,303	14,550	16,513	12,611	11,531	105,913	160,352
Reportable segment liabilities	621	16,022	14,927	15,561	7,970	7,553	2,287	1,958	1,516	1,530	27,321	42,624
Capital Expenditure	-	1,634	677	2,150	423	782	282	363	34	138	1,416	5,067

Notes to the consolidated financial report (continued)
For the six months ended 31 December 2011

2. Segment reporting (continued)

Reconciliation of reportable segment profit or loss

In thousands of AUD

	2011	2010 Represented
Total profit/(loss) for reportable segments	9,894	(17,095)
Unallocated amounts: other corporate expenses and income	(564)	(1,652)
Profit from the sale of Land & Buildings	9,046	-
Net finance income	1,254	189
Consolidated profit/(loss) before income tax	19,630	(18,558)
Elimination of discontinued operations	(4,802)	(1,165)
Consolidated profit/(loss) before income tax from continuing operations	14,828	(19,723)

3. Discontinued operation

In May 2011 the Group sold the business and assets of its automotive parts distribution business in South Australia (which traded as Motor Traders) to Burson Automotive Pty Ltd. Burson took over the leases of the branch network and offered employment to most employees. In July 2011 the Group sold its WA automotive parts distribution business to Automotive Holdings Group (AHG); the segment assets were classified as held for sale and operations as discontinued as at 30 June 2011. The comparative consolidated statement of comprehensive income has been represented to show the discontinued operation separately from continuing operations.

Results of discontinued operations *In thousands of AUD*	**2011**	**2010 Represented**
Revenue	338	86,492
Expenses	(36)	(85,327)
Results from operating activities	302	1,165
Income tax (charge)	(91)	(350)
Results from operating activities, net of income tax	211	815
Gain on sale of discontinued operations	4,500	-
Income tax on gain on sale of discontinued operations	(1,350)	-
Profit for the period	3,361	815
Basic earnings per share (cents)	8.6c	2.0c
Diluted earnings per share (cents)	8.6c	2.0c
Cash flows from (used in) discontinued operation		
Net cash from/(used in) operating activities	8,852	(439)
Net cash from/(used in) investing activities	28,964	(331)
Net cash from financing activities	-	-
Effect on cash flows	37,816	(770)

Notes to the consolidated financial report (continued)
For the six months ended 31 December 2011

3. Discontinued operation - continued

Effect of disposal on the financial position of the Group

In thousands of dollars	2011
Property, plant and equipment	(1,505)
Inventories	(25,618)
Trade and other receivables	(385)
Trade and other payables	3,065
Net assets and liabilities	(24,443)
Consideration received, satisfied in cash	28,964
Cash and cash equivalents disposed of	(21)
Net cash inflow	28,943

4. Assets held for sale

The sale of land and buildings associated with the disposed Auto division continue. As at 31 December 2011, 15 properties had been sold realising a profit of $9.0 million which was recorded in other income. Management expects the four remaining properties to be sold in the first quarter of 2012.

In thousands of dollars	31 December 2011	30 June 2011
Land and buildings	1,172	10,164
Property, plant and equipment	-	1,506
Inventories	-	26,114
	1,172	37,784

5. Income tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2011 was 29.7% (2010: negative 5.6%). The change in effective tax rate for the six months ended 31 December 2011 was caused mainly by the tax written down value of the properties being disposed of being higher than the accounting written down values. The rate for the six months ended 31 December 2010 was driven by the $21,262,000 impairment expense.

6. Intangible assets

Goodwill

In the half year ended 31 December 2010 the Group assessed the recoverable amounts of the Fasteners business and this resulted in an impairment loss of $21,262,000. Goodwill included in intangible assets comprise:

	Consolidated	
In thousands of AUD	31 December 2011	30 June 2011
Cost		
Balance at beginning of period	40,075	40,628
Effect of movements in foreign exchange	-	(553)
Balance at end of period	40,075	40,075
Impairment losses		
Balance at beginning of period	38,290	17,201
Impairment	-	21,089
Balance at end of period	38,290	38,290
Carrying amounts		
Balance at beginning of period	1,785	23,427
Balance at end of period	1,785	1,785

The total carrying amount of other intangibles (software) was $8,280,000 (30 June 2011 - $8,224,000)

Notes to the consolidated financial report (continued)
For the six months ended 31 December 2011

7. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2011 the Group acquired assets with a cost of $2,849,000 (2010: $3,629,000). The increase in acquisitions was largely due to:

- Acquisition of vehicle replacements previously leased $900,000
- Commenced replacement of aged IBM server equipment $1,362,000
- Commenced roll out of Cisco routers to branch network $114,000

Properties with a carrying amount of $9,143,000 (2010: $nil) were sold for a profit of $9,046,000 (2010: $nil), which is recognised in other income on the statement of comprehensive income.

Other assets with a carrying amount of $1,703,000 (2010: $123,000) were disposed of during the six months ended 31 December 2011, resulting in a gain on disposal of $20,000 (2010: $71,000 loss), which is included in other income on the statement of comprehensive income

8. Finance arrangements

The Group has its banking facilities through the Australia and New Zealand Banking Group Ltd ("ANZ"). The facility with ANZ is $15 million AUD ($0 million drawn & $0 million overdraft) at 31 December 2011 and extends to 20 October 2013.

9. Share capital

Dividend

In August 2011, the Group announced a dividend of 11 cents per share (2010: 8 cents per share) which was paid on 23 September 2011. The dividend reinvestment plan was not activated for this dividend.

On market share buyback

In 2009 the Group announced its intention to undertake an on-market share buy back of up to 10% of its issued ordinary shares. The 12 month buy back period commenced on 23 November 2009 and was refreshed for a further 12 months. The effect on share capital as a result of this undertaking for the six month period ended 31 December 2011 was a reduction of $3,722,000 (2010: $49,000). The total number of own shares acquired during the six month period ended 31 December 2011 was 1,703,868 (2010: 27,700). At the end of the period 38,293,622 shares remained in issue (40,057,490 as at 31 December 2010).

10. Contingencies

As at 31 December 2011 there were no material contingencies the Group had been made aware of.

11. Subsequent events

The directors have declared a dividend of 11 cents per ordinary share, fully franked, payable on 20 March 2012 to shareholders registered as at 9 March 2012 (the record date). The dividend reinvestment plan will continue to be suspended for this dividend. For the prior comparative period a 6 cents, fully franked, interim dividend was declared.

Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Directors' report
For the six months ended 31 December 2011

The directors present their report together with the financial statements of Coventry Group Ltd (the Company) and its controlled entities (the Group) for the six months ended 31 December 2011.

DIRECTORS

The directors of the Company at any time during the six month period ended 31 December 2011 and up to the date of this report are:

Name	Period of Directorship
Non-executive	
Barry Frederick Nazer	Director since September 2003
John Harold Nickson	Director since November 2007
Kenneth Royce Perry	Director since September 2009
Executive	
Roger Baden Flynn *(Executive Chairman)*	Director since October 2001 Chairman since November 2006 Executive Chairman since April 2007
Vince Scidone *(General Manager, Fasteners)*	Director since February 2008

REVIEW OF OPERATIONS

For the six months ended 31 December 2011, Group revenue from continuing operations increased by 6% to $122.7 million compared to the previous comparative period.

The Group recorded a profit before tax from continuing operations of $14.8 million compared to a loss of $19.7 million for the previous comparative period after posting the goodwill impairment. The profit after tax derived from continuing operations was $10.4 million compared to a loss of $20.4 million for the prior period.

The profit result from continuing operations was achieved through a number of factors, as follows :

- at 30 June 2011 19 properties were reassigned for sale. Of these 15 had been sold by 31 December 2011 generating a profit of $9.0 million ($0.0 million - 31 December 2010).
- strong performances were achieved in the Fluids and Gaskets businesses delivering a profit before tax and financing of $7.6 million ($4.8 million - 31 December 2010).

During the period trading conditions in the Fasteners and the Hardware businesses remained difficult with intense competitive pressure. The reportable loss before finance costs, income tax and material non-cash items, improved marginally to $1.1 million ($1.7 million - 31 December 2010). Management remains focused on improvements in these businesses.

The Group net cash position improved significantly to $50.0 million ($7.1 million - 30 June 2011). This was due to :

- the disposal of the WA Automotive Parts Distribution division to AHG generating $28.9 million;
- the proceeds from the sale of 15 properties generated $19.9 million; and
- operating activities generated $3.9 million (outflow $1.6 million - 31 December 2010).

This strong cash inflow allowed $10.1 million in cash to be returned to shareholders through dividends, including the second interim paid in July 2011, and share buy backs ($3.2 million - 31 December 2010).

Earnings per share (basic) for the period was 34.3 cents compared to a loss of 49.8 cents for the previous comparative period. For the continuing business the earnings per share was 25.7 cents compared to a loss of 51.8 cents for the previous comparative period. Net tangible assets per share increased by 29 cents in the period to $3.67 ($3.38 - 30 June 2011).

Coventry Group Ltd and its controlled entities
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Directors' report (continued)
For the six months ended 31 December 2011

DIVIDEND

The directors have declared a dividend of 11 cents per ordinary share, fully franked, payable on 20 March 2012 to shareholders registered as at 9 March 2012 (the record date). The dividend reinvestment plan will continue to be suspended for this dividend. For the prior comparative period a 6 cents, fully franked, interim dividend was declared.

BUSINESS UNITS PERFORMANCE REVIEW

Fasteners

Revenue for the Fasteners business declined by 2% to $63.9 million compared to the previous comparative period. Exchange rate driven product price deflation was a challenge. Loss before interest and tax was $0.3 million compared with a loss of $1.3 million in the previous comparative period, excluding the charge for impairment of goodwill in the prior period. In the previous comparative period a charge against goodwill of $21.3 million was recorded due to poor trading conditions and outlook for the business.

Management has responded by focusing on increased efficiency and cost management across the business which is beginning to show some performance improvements.

Fluids

Revenue for the Fluids business increased by 29% to $39.3 million compared to the previous comparative period. Profit before interest and tax was $6.0 million - up 75% on the previous comparative period. The result was driven by strong demand from mining production activities in the three states the unit operates in - Queensland, Western Australia and South Australia.

Much 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 9% to $13.1 million compared to the previous comparative period. The business recorded a loss before interest and tax of $2.3 million (loss $0.5 million - 31 December 2010) which included a material write down of inventory by $1.5 million. Through the reduction in inventory and product lines, the business will improve customer service and be better placed to respond to the competitive environment brought about by the weak contruction and hospitality markets.

Gaskets

Revenue for the Gaskets business increased by 10% to $7.0 million compared to the previous comparative period. The division recorded a profit before interest and tax of $1.6 million - $0.3 million up on the previous comparative period. The business continues to exploit the market differentiation they deliver through the breadth of product range.

Coventry Group Ltd and its controlled entities
ABN 37 008 670 102

Directors' report (continued)
For the six months ended 31 December 2011

OUTLOOK

The "two speed" economy is expected to remain pronounced in Australia. Management is actively engaged in moving resources to those expanding areas of our business, through internal allocation and external purchases.

On 21 February 2012 the Group entered into a contract to purchase Fluidrive Pty Limited for cash. Fluidrive operates in the key region surrounding Gladstone, Queensland where coal seam gas and other resource extraction is driving unprecedented demand for services in the hydraulic services space.

In October 2011, as part of our ongoing growth initiatives, Managed System Services Pty Ltd – a wholly owned subsidiary, was established. The entity will be marketing the Group's IT service capacity and seeking to take advantage of opportunities in the IT sector.

The Group continues to encounter tough trading conditions in some of its markets. Initiatives to mitigate these conditions, which include the ongoing review of its cost structures, are being implimented. It also focuses on expansion in those markets experiencing growth. Given the uncertainty in the broad recovery of the economy, it remains difficult to give firm guidance on future performance, however gradual increases in the Group's operating profit, excluding profits on the sale of properties, are likely.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 19 and forms part of the directors' report for the six months ended 31 December 2011.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors

R. B. FLYNN
Executive Chairman

Perth
24 February 2012

COVENTRY GROUP LTD
ABN 37 008 670 102

Directors' declaration

In the opinion of the directors of Coventry Group Ltd ("the Company"):

1 the financial statements and notes, set out on pages 3 to 14, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, for the six months ended on that date; and

(b) complying with Australian Accounting Standards AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001;

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

R. B. FLYNN
Executive Chairman

Perth
24 February 2012

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Coventry Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

D McComish

Denise McComish
Partner

Perth

24 February 2012

KPMG

Independent auditor's review report to the members of Coventry Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Coventry Group Limited, which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Coventry Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Coventry Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

McComish

Denise McComish
Partner

Perth
24 February 2012

Independent auditor's review report to the members of Coventry Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Coventry Group Limited, which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Coventry Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Coventry Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Denise McComish
Partner

Perth
24 February 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Coventry Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

D McComish

Denise McComish
Partner

Perth

24 February 2012