



Coventry Group Ltd

ABN 37 008 670 102

HALF-YEAR REPORT

31 DECEMBER 2002

COVENTRY GROUP LTD

ABN 37 008 670 102

DIRECTORS' REPORT

for the half-year ended 31 December 2002

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2002 and the review report thereon.

DIRECTORS

The directors of the Company during or since the end of the half-year are:

<u>Name</u>	<u>Period of Directorship</u>
Warwick Gordon Kent A.O. (<i>Chairman</i>)	Director since 1 July 2001; appointed Chairman on 1 November 2001
Brian Arthur Goddard (<i>Deputy Chairman</i>)	Director since 1977; appointed Deputy Chairman in 1990
Barry Robert Watson (<i>Managing Director</i>)	Director since 1977; appointed Managing Director in 1989 until his retirement on 31 January 2003
Christopher James Glenn (<i>Managing Director</i>)	Appointed Managing Director on 3 February 2003
Roger Baden Flynn	Director since 12 October 2001
Clifford Maxwell Kyle	Director since 1990
Peter Arthur Kyle	Director since 1980
Ross Malcolm McLean	Director since 1995

REVIEW OF OPERATIONS

For the six month period ended 31 December 2002 the Group recorded an operating profit before tax of \$8.3 million compared to \$3.4 million for the prior comparative period – an increase of 144%.

This improved result was largely attributable to the strong trading performance of the established businesses within the automotive and industrial segments. Both segments achieved significant increases in profitability through improved margins and revenue growth.

The Group result also was impacted by the significant reduction in the losses incurred by the controlled entity Coventry Auto Parts Pty Ltd ("CAP"). For the period under review, CAP incurred losses of \$2.97 million as compared to \$5.59 million for the prior comparative period. The closure of CAP's Victorian operations in 2001 was a major factor in lowering CAP's losses for the period under review. As previously reported, the Group acquired the balance of the issued capital of CAP from entities associated with Ford Motor Company of Australia Limited during the reporting period. This has resulted in Coventry Group holding 100% of CAP's issued capital from October 2002, an increase from 88%.

The Group's net profit after tax attributable to members of the parent entity was \$4.97 million as compared to \$0.93 million for the prior comparative period.

The relatively high effective tax rate of 40.3% for the period under review was brought about by the inability to offset tax losses incurred by CAP prior to it becoming wholly owned against the taxable income of other group companies. The effective tax rate of 86.6% for the prior comparative period was due to the higher losses incurred by CAP, which also could not be grouped for tax purposes.

Earnings per share for the period under review was 14.7 cents compared to 2.8 cents for the prior comparative period.

An interim dividend of 14 cents per ordinary share, fully franked, will be paid on 2 April 2003 to shareholders registered at the close of business on 19 March 2003.

Automotive Parts Distribution

The automotive parts business segment of the Group improved significantly for the first half. Operating profit before tax was \$2.03 million compared to an operating loss before tax of \$1.62 million for the prior comparative period. Revenue increased by 7% to \$115.53 million.

The established businesses trading as Coventrys and Motor Traders, which operate in Western Australia and South Australia respectively, recorded an operating profit of \$5.2 million, an increase of 31% on the prior comparative period. Revenue for these two businesses increased 7% to \$101.5 million. The increase in net profit margin was largely attributable to improved gross profit margins and effective management of costs.

The losses of CAP during the period under review were \$2.97 million compared to \$5.59 million for the prior comparative period. Whilst this developing business achieved a combined revenue growth of 24.6% to \$14.7 million for its New South Wales and Queensland operations, the overall trading losses exceeded budget expectations. Following a review of CAP's operations, it is now anticipated that it will take longer for CAP to achieve break even than the earlier reported time frame of the 2004 financial year.

During the period under review CAP acquired the business of Motor Torque in Cairns, Queensland. This is one of a number of initiatives that are being pursued to grow CAP's business activities.

Industrial Products Distribution

This segment continued to record strong profit and revenue growth for the period under review.

Operating profit before tax increased 33% to \$7.6 million on the prior comparative period with revenue up 13% to \$87.9 million. Strong demand from several large infrastructure projects in Queensland and Western Australia were the key contributors to this growth.

Expansion of the construction fastener business, Infix, continued with the opening of a branch at Clayton, Victoria in November 2002.

During the half year, the segment's bearings activities in Western Australia were rationalised with the closure of two outlets - Geraldton and O'Connor.

Bitumen Products

Operating profit before tax for this segment increased by 10.2% to \$0.8 million. Revenue totalled \$6.9 million – up 7% on the prior comparative period. The Hot Mix road profiling operations remained steady, with Bitumen Emulsions continuing to extend its spray and cover activities. Both divisions are continuing to experience intense competition with additional competitors entering the market.

A new asphalt mixing plant, which is a joint manufacturing facility with CSR Emoleum, is expected to be operational in May 2003 and should deliver considerable production cost savings to the Hot Mix business.

Gasket Manufacturing

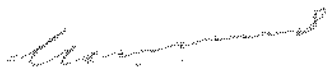
This segment recorded an operating profit before tax of \$0.6 million – a 23% decrease on the prior comparative period. Revenue was 6% down at \$6.7 million. The result was largely impacted by the loss of a key supply contract. However, a large proportion of this lost contract revenue has been substituted with increased sales to the existing customer base.

Outlook

If current trading conditions are maintained, it is expected that the Group's trading performance for the second half of the 2002/03 financial year will exceed the results achieved for the period under review.

The forward business outlook for industrial products remains positive with ongoing demand from major projects and manufacturing likely to continue. The automotive business is expected to be buoyant with record new vehicle sales expected to provide ongoing revenue growth for the Group's genuine parts franchises and as well as supporting the non genuine and gasket operations of the business. It is anticipated that Coventry Auto Parts will continue to incur trading losses in NSW and QLD. The bitumen products division is expecting its second half results to be impacted by escalating bitumen costs as well as increased competition.

This report is made in accordance with a resolution of the directors.



W.G. KENT A.O.
Director



C.J. GLENN
Director

Perth
5 March 2003

Consolidated statement of financial performance
For the half-year ended 31 December 2002

	Half-year	
	2002	2001
	\$'000	\$'000
Revenue from operating activities	214,311	196,758
Revenue from outside the operating activities	5,652	2,061
Revenue from ordinary activities	219,963	198,819
Cost of sales	(137,730)	(126,135)
Employee benefits expense	(41,222)	(39,916)
Depreciation and amortisation expense	(4,084)	(4,090)
Book value of assets sold	(3,914)	(1,099)
Borrowing costs	(1,316)	(1,026)
Communication expense	(1,650)	(1,943)
Occupancy costs	(4,637)	(4,542)
Other expenses from ordinary activities	(17,088)	(16,654)
Profit from ordinary activities before income tax expense	8,322	3,414
Income tax expense related to ordinary activities	(3,351)	(2,957)
Profit from ordinary activities after related income tax expense	4,971	457
Net loss attributable to outside equity interests	24	472
Net profit attributable to members of Coventry Group Ltd	4,995	929
Net exchange difference on translation of financial reports of self-sustaining foreign operations	189	436
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd and recognised directly in equity	189	436
Total changes in equity other than those resulting from transactions with owners as owners	5,184	1,365
	Cents	Cents
Basic and diluted earnings per share	14.7	2.8

The above consolidated statement of financial performance 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 2002

	31 December 2002 \$'000	30 June 2002 \$'000
Current assets		
Cash assets	7,418	7,536
Receivables	61,080	62,269
Inventories	86,782	84,339
Other assets	1,954	1,056
Total current assets	157,234	155,200
Non-current assets		
Property, plant and equipment	61,709	65,059
Deferred tax assets	4,343	4,048
Intangible assets	25,831	25,655
Total non-current assets	91,883	94,762
Total assets	249,117	249,962
Current liabilities		
Payables	35,419	32,702
Interest bearing liabilities	3,050	-
Current tax liabilities	2,243	3,796
Provisions	7,249	11,315
Total current liabilities	47,961	47,813
Non-current liabilities		
Interest bearing liabilities	37,116	43,219
Provisions	2,672	2,852
Other liabilities	99	186
Total non-current liabilities	39,887	46,257
Total liabilities	87,848	94,070
Net assets	161,269	155,892
Equity		
Parent entity interest		
Contributed equity	89,110	87,242
Reserves	32,980	32,791
Retained profits	35,927	30,932
Total parent entity interest	158,017	150,965
Outside equity interests in controlled entities	3,252	4,927
Total equity	161,269	155,892

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

COVENTRY GROUP LTD and its controlled entities
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Consolidated statement of cash flows
For the half-year ended 31 December 2002

	Half-year	
	2002	2001
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Receipts from customers (inclusive of goods and services tax)	237,077	216,859
Payments to suppliers and employees (inclusive of goods and services tax)	(224,057)	(213,215)
Interest received	334	191
Interest paid	(1,157)	(1,058)
Income taxes paid	(5,189)	(3,639)
Net cash inflow/(outflow) from operating activities	7,008	(862)
<u>Cash flows from investing activities</u>		
Proceeds from sale of property, plant and equipment	4,183	1,207
Payments for purchase of property, plant and equipment	(3,560)	(4,364)
Payment for acquisition of businesses	(562)	-
Net cash inflow/(outflow) from investing activities	61	(3,157)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	-	5,069
Repayment of borrowings	(6,103)	-
Dividends paid	(4,053)	(5,066)
Dividends paid to outside equity interests	(81)	(53)
Net cash outflow from financing activities	(10,237)	(50)
Net decrease in cash held	(3,168)	(4,069)
Cash at beginning of reporting period	7,536	4,388
Cash at end of reporting period	4,368	319

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

Notes to the consolidated financial statements
For the half-year ended 31 December 2002

1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2002 has been prepared in accordance with Accounting Standard AASB 1029:Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act 2001. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2002 and any public announcements made by Coventry Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New accounting policy on providing for dividends

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the half-year but not distributed at balance date.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044: Provisions, Contingent Liabilities and Contingent Assets released in October 2001 and applied to the half-year ended 31 December 2002. In previous periods, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the period and the completion of the financial report.

An adjustment of \$4,053,000 was made against consolidated retained profits at the beginning of the half-year to reverse the amount provided at 30 June 2002 for the proposed final dividend for the year ended on that date that was declared by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the half-year by \$4,053,000 with corresponding increases in consolidated net assets, retained profits, total equity and the total dividends provided for or paid during the current interim period.

The restatements of consolidated retained profits, total dividends provided for or paid during the half-year and current provisions set out below show the information that would have been disclosed had the new accounting policy always been applied.

	Half-year	
	2002	2001
	\$'000	\$'000
	(Restated)	(Restated)
Restatement of retained profits		
Previously reported retained profits at the end of the previous financial year	30,932	33,152
Change in accounting policy for providing for dividends	4,053	5,066
Restated retained profits at the beginning of the half-year	34,985	38,218
Net profit attributable to members of Coventry Group Ltd	4,995	929
Total available for appropriation	39,980	39,147

Dividends provided for or paid	(4,053)	(5,066)
Restated retained profits at the end of the half-year	35,927	34,081

COVENTRY GROUP LTD and its controlled entities
ABN 37 008 670 102

Notes to the consolidated financial statements
For the half-year ended 31 December 2002

	Half-year	
	2002	2001
	\$'000	\$'000
	(Restated)	(Restated)
Restatement of current liabilities – provisions		
Previously reported carrying amount at the end of the half-year	7,249	22,673
Adjustment for change in accounting policy	-	(2,702)
Restated carrying amount at the end of the half-year	7,249	19,971
Restatement of total dividends provided for or paid		
Previously reported total dividends provided for or paid during the half-year	-	2,702
Adjustment for change in accounting policy	4,053	2,364
Restated total dividends provided for or paid during the half-year	4,053	5,066

	Half-year	
	2002	2001
	\$'000	\$'000
2. Individually significant items included in profit from ordinary activities before income tax expense		
Cost of closing Victorian activities of Coventry Auto Parts Pty Ltd	-	1,760
3. Contributed equity		
34,211,474 (2001: 33,774,406) fully paid ordinary shares	89,110	87,242
In October 2002, 287,068 fully paid ordinary shares were issued to acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd. In addition, 150,000 fully paid ordinary shares were issued to secure Ford automotive parts distribution rights in Western Australia, in substitution for a previous royalty arrangement.		
4. Dividends		
Dividends provided for during the half-year (refer note 1)	-	2,702

Dividends not recognised at the end of the half-year

Since the end of the half-year the directors have declared an interim dividend of 14 cents per fully paid ordinary share, franked at 30%. The aggregate amount of the dividend payable on 2 April 2003 out of retained profits at 31 December 2002, but not recognised as a liability at half-year end as a result of the change in accounting policy for providing for dividends (note 1), is

4,790

Notes to the consolidated financial statements
For the half-year ended 31 December 2002

5. Events subsequent to balance date

Sale of property

In January 2003, Coventry Group Ltd entered into an unconditional contract for the sale of a property in the Perth metropolitan area. The pre-tax profit on this disposal will be approximately \$953,000. The financial effects of this transaction have not been brought to account as at 31 December 2002.

Dividend

A dividend has been declared since the end of the current period as described at note 4.

Appointment of Managing Director

Mr Barry Watson retired as Managing Director and Chief Executive Officer on 31 January 2003 and Mr Chris Glenn took up his appointment to that position on 3 February 2003.

Mr Glenn's employment is for no fixed term but may be terminated by the Company with 12 months notice, or payment of 12 months base salary in lieu of notice.

In addition to a base salary, the contract of employment provides for incentive payments as follows:

- Short Term Incentive (STI) of up to 25% of base salary subject to the achievement of Key Performance Indicators to be agreed annually. The STI will be paid in cash. For the first five months of employment, i.e. until 30 June 2003, any STI will be paid on a pro-rata basis.
- Long Term Incentive (LTI) of up to 25% of base salary split equally between the following performance hurdles:
 - Growth in Earnings Per Share (EPS); and
 - Total Shareholder Return (TSR), i.e. share price growth plus dividends paid of Coventry Group Limited (CYG) measured against the Small Industrials Index.

The LTI payment will be made in the form of CYG shares at a price fixed by reference to the weighted average price of the Company's shares traded on the Australian Stock Exchange in the five trading days prior to 1 July of the year to which the LTI relates. For the period of 17 months from commencement of employment to 30 June 2004, an LTI will be available on a pro-rata basis and the price of any shares issued will be the weighted average price of shares traded in the five days before Mr Glenn commenced employment. As a consequence, an offer of 32,718 CYG shares at an issue price of \$4.33 has been made to Mr Glenn subject to the achievement of the performance hurdles referred to above.

Shares issued in satisfaction of the LTI payments must be held for a minimum period of three years or until termination of employment, whichever comes first.

Shareholder approval to the issue of shares under these arrangements will be sought at the Annual General Meeting scheduled for 5 November 2003 when further details will be provided.

6. Segment information

Primary reporting - business segments

Half-year 2002	Automotive Parts Distribution \$'000	Industrial Products Distribution \$'000	Bitumen Products \$'000	Gasket Manufacturing \$'000	Corporate \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Total segment revenue	115,527	87,948	6,939	6,723	4,541	-	(1,715)	219,963
Segment operating profit/ (loss) before income tax	2,029 ¹	7,567	789	643	(2,705)	(1)	-	8,322
Half-year 2001								
Total segment revenue	107,586	77,887	6,452	7,137	804	-	(1,047)	198,819
Segment operating profit/ (loss) before income tax	(1,615) ²	5,679	716	839	(2,205)	-	-	3,414

1. Includes loss incurred by Coventry Auto Parts Pty Ltd of \$3.16 million.
2. Includes loss incurred by Coventry Auto Parts Pty Ltd of \$5.59 million. The now closed Victorian operation incurred \$1.96 million of this loss, inclusive of closure costs.

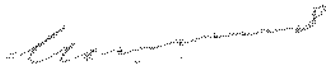
DIRECTORS' DECLARATION
for the half-year ended 31 December 2002

The directors declare that the financial statements and notes set out on pages xx to xx :

- (a) comply with Accounting Standards, the Corporation Regulations and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Coventry Group Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



W.G. KENT A.O.
Director



C.J. GLENN
Director

Perth
5 March 2003



**Chartered Accountants
& Advisers**
INDEPENDENT REVIEW REPORT

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TO THE MEMBERS OF COVENTRY GROUP LTD

Scope

We have reviewed the financial report being the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Directors' Declaration and notes forming part of the financial report of Coventry Group Limited for the half-year ended 31 December 2002. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether on the basis of the procedures described anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements, and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission / Australian Stock Exchange Ltd.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

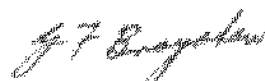
The names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditors are; Hylton Parker Fasteners Ltd, AA Gaskets Pty Ltd; and NZ Gaskets Ltd. We have, however, received sufficient information and explanations concerning those controlled entities for the purposes of this review report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

BDO
Chartered Accountants
Perth, Western Australia
Dated: 5 March 2003


G. F. Brayshaw
Partner