



ANNUAL GENERAL MEETING

5 NOVEMBER 2007

CHAIRMAN'S ADDRESS

Ladies and Gentlemen

As the accounts have been circulated I do not intend to go over ground covered in their initial release in August nor ground covered in the reports accompanying the accounts when they were printed with the Annual Report in October. Suffice is to say that your Board and management, like most shareholders, regard the results for last financial year as very unsatisfactory. This view particularly pertains to the profit after significant items and the condition of the Company in some areas, particularly the state of the major transformation projects underway last financial year. For the record, our bottom line was a \$1 million loss after bringing to account several significant items, including writing down the carrying value of our information technology system and writing off the goodwill paid for acquiring Auto businesses in Queensland and the Northern Territory.

That said, there were also a number of very positive things about the Company at June 30. We had many parts of the business performing well, we had generally good market positions and reputations and many very genuine and good employees spread across our 134 locations in Australia and New Zealand.

Most of the industrial businesses are on track with the Cooper Fluids business, in particular, capitalizing on the strong resources sector.

The gaskets business has continued to act in a disciplined way and get good results.

Many of you will have seen our October 26 market update released to the ASX. Amongst other things in that update we stated that Coventry in recent months received unsolicited approaches from various parties seeking to engage in discussions with the Company which may or may not lead to an offer to acquire the Company or parts of it. The approaches are preliminary in nature and no detailed discussions have taken place in relation to the price, timing, shape or structure of any offer. None of these approaches are matters that would ordinarily require disclosure under the Listing rules and but for the issue of the options, no announcement of this nature would be made by the company. It is quite possible that nothing will eventuate from the approaches. The situation remains unchanged from that time with nothing further to report. Obviously we will keep the market informed if there is anything material to report and requiring disclosure. Accordingly, I do not intend to comment further on this matter at this meeting.

Today I want to concentrate on updating you on what we have been doing in leading your Company from around June until now and also briefly speak about the future as we see it.

The emphasis from June has been upon :

- ensuring we have the best possible senior leadership team in place;
- completing the systems and relocation transitions we were locked into as rapidly and as well as is practical;
- getting ourselves into a position where we can concentrate on the business basics which, in our Company, are the sourcing of products to best advantage, effective distribution of those products through our network and optimizing the sale of those products to our customers.

It is however, only fair to give some insight into my view as to why our recent past and current performance has not been better. The major problem has been that Coventry has committed to two major and a number of smaller transition projects without appropriate resources and done a poor job of leading the large transitions at the most senior levels. This has been compounded by unsatisfactory performance by some of our outside suppliers on these projects. The result of this has been that our major projects of :

1. implementing a new enterprise system, and
2. relocating our Head Office, divisional offices and Western Australian state operations and Distribution Centre to Redcliffe;

have taken significantly longer and cost a lot more than they should have. We have also been involved in substantial rectification work and costs on these projects.

Even more important, the fact that these projects have dragged on over several years has meant that too much management time and attention has been directed internally on the transitions rather than externally in dealing better with our suppliers and customers as well as seeking better internal efficiency in everything we do. It has also slowed our growth.

So you can understand why I have been keen to expedite completion of these projects, getting out of transition mode and to concentrate on doing a better job of buying, distributing and selling automotive and industrial products, which is what most of our business is about. Conceptually our businesses are simple. They are made complex by having hundreds of thousands of products, large numbers of suppliers, 134 locations and many thousands of customers.

As I said earlier, a first step in our improvement has been to ensure we have the right senior leadership team. I am proud to say I now lead a great team of senior executives who are all leaders in their own rights and well skilled and motivated to meet their challenges.

I would now like to introduce to you a number of our senior executives and I would ask them to stand in turn to identify themselves.

Firstly, our Chief Financial Officer since May is Tony Hockley; our Chief Information Officer since May is Mark Ridley; our Auto business General Manager is Geoff Wilton who has just joined us and of course, Vince Scidone continues to do a great job of leading and profitably growing the Industrial business. Based in Melbourne is Kerry Lee who runs the Gaskets business. As well as these men, we have many other good leaders at Coventry. We also have many other people at Coventry doing a great job in a large number of areas and with a renewed spirit of working together and thinking like owners. With renewed leadership our IT, accounting and divisional people are really showing what they are capable of.

We are now well advanced in our systems transitions with the majority, but not yet all, of our businesses on our new platform but there is still much work to do in the systems area to get it performing well. The relocation of our new warehouse at Redcliffe has commenced and is scheduled for completion this month.

These new systems and facilities involve some big technological jumps for us which are difficult in the short term but offer us significant opportunity for productivity and service gains in the future, indeed an opportunity to be industry leaders as well as a better working environment for our employees.

On October 26 we announced that for the first quarter of this financial year we had an un-audited net operating profit pre minorities up 5% to \$4.4 million. We also announced that because of the costs and business disruptions I have just been talking about, we expect the current quarter to be a bit below last year's second quarter. All in all, we still expect the current year to be a tough one, broadly in line with last year (prior to significant items) but we have great prospects thereafter.

This year most of our growth initiatives will be organic, growing from within. The only exception so far this year has been the purchase of a small Adelaide business last month for a low 6-figure sum which forms the basis of a new Adelaide branch for our successful Cooper Fluid Systems. Coopers is part of the Industrial business.

Next financial year we will be better placed in every sense to grow more strongly and realise upon the great potential within Coventry. This will involve growing from within plus acquisitions if they are financially sound.

Given the poor profit result last financial year, your Board decided it was not appropriate to pay a final dividend. Our long term policy remains that we intend to pay out the majority of our profits as dividends and use our franking credit reserves for our shareholders' benefit. To that end, we plan to pay a dividend out of this year's profit.

In our Annual Report I referred to the pending retirement of Ross McLean after 12 years of valued service as a non-executive Director. Ross is well regarded by all who have known him at Coventry and has also been a major contributor to many organisations around Perth in both professional and voluntary capacities. We thank Ross for his contribution as a non-executive Director which ends with his retirement at the conclusion of today's meeting.

We recently announced that John Nickson will become a non-executive Director of Coventry effective the end of this meeting. John has great experience in the finance industry and has had the majority of his career with JB Were and then Goldman Sachs JB Were. John is with us today and I ask John to stand to identify himself. Welcome John. John's particular area of practice has been capital markets and that is a useful skill to have on board going forward.

Ladies and Gentlemen, in summary, Coventry's unacceptable past performance is acknowledged and we are working actively to restore better performance in the interests of all Coventry shareholders.

ROGER FLYNN
Executive Chairman