



Coventry Group Ltd

ABN 37 008 670 102

Appendix 4D

Half-year report for the six months ended 31 December 2019

Reporting period

Report for the half-year ended 31 December 2019

Previous corresponding period is the financial year ended 30 June 2019 and the half-year ended 31 December 2018

Results for announcement to the market

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>Change</u>	<u>Change</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>%</u>
Revenue from continuing operations	122,637	89,618	33,019	36.8%
Net profit/(loss) after tax from continuing operations attributable to members	2,026	(2,373)	4,399	-

Dividends

No dividends have been declared in relation to the half-year ended 31 December 2019.

No ordinary dividends were paid during the period.

Amount of dividend per security

		<u>Amount per security</u>	<u>Franked amount security at 30%</u>
Interim dividend	current year	Nil	Nil
	previous year	Nil	Nil
Final dividend	current year	Nil	Nil
	previous year	Nil	Nil
Total dividend current year previous year		Nil	Nil
		Nil	Nil

The Company's Dividend Reinvestment Plan remains suspended.

Net Tangible Assets Per Security

As at 31 December 2019	0.61
As at 31 December 2018	1.02

The financial information provided in Appendix 4D is based on the half-year condensed consolidated financial report (attached).

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



Coventry Group Ltd

and its controlled entities

Financial report for the half year ended 31 December 2019

This half year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019.

OUR VALUES

At Coventry Group, we value
Respect, Fairness, Teamwork, Professionalism and Integrity.

Above all, we value
Our People, Our Customers and Our Suppliers.



Coventry Group Ltd and its controlled entities

Financial report for the half year ended 31 December 2019

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Coventry Group Ltd

Directors' Report

For the half year ended 31 December 2019

The Directors present their report on the Consolidated entity consisting of Coventry Group Ltd and controlled entities at the end of, or during, the half year ended 31 December 2019. Throughout the report, the Consolidated entity is referred to as the Group.

Directors

The Directors of the Company at any time during the half year ended 31 December 2019 and up to the date of this report are:

Neil George Cathie, Chairman
 Robert James Bulluss, Managing Director and Chief Executive Officer
 Andrew William Nisbet
 James Scott Charles Todd

Review of operations

The trading performance of the Group continued to improve during the first half of FY20. Group sales growth for H1 FY20 including acquisitions of 36.8% compared with the prior corresponding period (PCP) and excluding acquisitions of 7.7% on PCP. Group sales including acquisitions at \$122.6m (\$89.6m FY19).

Group underlying EBITDA of +\$4.0m (-\$0.8m FY19), a \$4.8m improvement on PCP. Group underlying EBIT of +\$2.6m (-\$1.5m FY19), a \$4.1m improvement on PCP. Statutory profit of \$2.0m (-\$2.4m FY19), a \$4.4m improvement on PCP.

The Group has a solid balance sheet with Net Tangible Assets of \$54.4m and Net Assets of \$103.6m as at 31 December 2019. Net debt of -\$5.9m at 31 December 2019.

The Torque and Nubco acquisitions are delivering positive results within their respective segments.

Sales growth

Percentage sales growth change for the half year for FY20 when compared with the PCP is shown below:

Revenue change	Half year FY20 vs Half year FY19 % sales change including acquisitions	Half year FY20 vs Half year FY19 % sales change excluding acquisitions
Fluid Systems	+24.1%	+11.6%
Trade distribution	+46.3%	+5.4%
Consolidated Group	+36.8%	+7.7%

Segment commentary

Fluid Systems (FS) sales continued to grow with sales including acquisitions up 24.1% on PCP and excluding acquisitions up 11.6% on PCP. Sales growth is continuing to be driven by our strong value proposition and increase in service, maintenance, upgrade and new equipment activity in the mining and resources sector. The integration of Torque is progressing to plan. The relocation of our Hunter Valley branch to a new custom-built facility has been completed.

Trade Distribution (TD) sales including acquisitions up 46.3% on PCP and excluding acquisitions up 5.4% on PCP.

Australia

Konnect and Artia Australia (KAA) sales up 4.8% on PCP. Our improved service and business development capability is starting to deliver results. Konnect sales growth of 5.8% was partly offset by a decline in sales in Artia. The integrated Nubco branches have reported sales growth on PCP but are experiencing modest margin pressure from increased competition.

New Zealand

Konnect & Artia New Zealand (KANZ) sales growth slowed as economic activity softened particularly in the Christchurch region. Despite this, the business continues to gain market share with sales up 6.7% on PCP.

Corporate Costs

Net Corporate costs of \$5.0m (PCP \$4.4m). Although declining as a percentage of revenue, corporate costs are higher than PCP due to higher insurance costs (particularly D&O liability insurance), IT costs required to rectify legacy issues and to relocate systems to the cloud, costs in relation to our Digital Customer Engagement project and amortization of acquisition customer lists. We are actively seeking replacement tenants at the Redcliffe, WA facility.

Coventry Group Ltd

Directors' Report

For the half year ended 31 December 2019

Cash position

Net debt of -\$5.9m (-\$4.1m – 30 June 2019). The increase in debt is due to raising inventory levels to manage growth in the Fluid Systems business, provide coverage over Chinese New Year, improve service levels and launch new products in KAA.

Balance sheet

The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$51.2m at 31 December 2019.

Acquisitions

Acquisition opportunities continue to be carefully considered, in the context of our key acquisition criteria, as they arise.

Coronavirus impact

It is too early to predict the impact of the Coronavirus on our supply chain. The Group continues to monitor the impact on our suppliers in China and other Asian regions and our marine freight carriers. We expect some impact in the near term.

Dividends

The Board has determined that no interim dividend be declared.

Outlook

The outlook for our major end markets (commercial construction, infrastructure and mining) remains positive. The Group has negligible exposure to the residential construction market. At this stage the Group has not been affected by the bushfires impacting Australia. We continue to monitor the potential impact of the Coronavirus on our supply chain. We expect some impact in the near term.

While the Group has experienced some margin and cost headwinds in H1 FY20 (devaluation of the AUD to USD and insurance cost increases) these are expected to be offset by further margin and cost-out initiatives in H2 FY20. Most importantly the sales pipeline remains very robust which is the key indicator of underlying business health.

Overall, we remain positive about the outlook for the Group.

AASB16 Leases

Underlying EBIT, EBITDA, and balance sheet ratios exclude the impact of AASB16 Leases.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Rounding of amounts

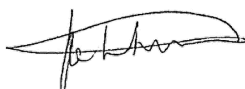
The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



N.G. Cathie
Chairman

Melbourne
21 February 2020



R.J. Bulluss
Chief Executive Officer and Managing Director

Melbourne
21 February 2020



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

To the Directors of Coventry Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Coventry Group Ltd for the half-year ended 31 December 2019 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

J Carey

Partner

Melbourne

21 February 2020

Coventry Group Ltd and its controlled entities
Condensed consolidated statement of profit or loss
For the half year ended 31 December 2019

	<i>Note</i>	31 December 2019 \$'000	31 December 2018 \$'000
Continuing operations			
Revenue from sale of goods		122,637	89,618
Cost of sales		(74,798)	(55,441)
Gross profit		47,839	34,177
Other income		1,803	1,862
Employment costs		(29,388)	(21,829)
Depreciation and amortisation expense	3, 4, 5	(5,796)	(669)
Occupancy costs		(1,354)	(5,054)
Communication costs		(1,122)	(1,039)
Freight		(2,247)	(2,652)
Vehicle operating costs		(981)	(856)
Restructuring and other significant costs		(158)	(357)
Other expenses		(4,755)	(5,426)
Profit/(Loss) before financial income and tax		3,841	(1,843)
Financial income, including net foreign exchange gain		237	9
Financial expense, including net foreign exchange loss		(3,048)	(219)
Net financial expense		(2,811)	(210)
Profit/(Loss) before income tax		1,030	(2,053)
Income tax benefit/(expense)		996	(320)
Profit/(Loss) for the half year from Continuing Operations		2,026	(2,373)
Profit/(Loss) attributable to:			
Owners of the Company		2,026	(2,373)
Non-controlling interests		-	-
Earnings/(loss) per share:			
Basic earnings/(loss) from Continuing operations per share:		4.5 cents	(5.5 cents)
Diluted earnings/(loss) from Continuing operations per share:		4.5 cents	(5.5 cents)

The condensed consolidated statement of profit or loss is to be read in conjunction with the accompanying notes to the consolidated financial statements.

Coventry Group Ltd and its controlled entities
Condensed consolidated statement of comprehensive income
For the half year ended 31 December 2019

	31 December 2019 \$'000	31 December 2018 \$'000
Profit/(Loss) for the half year from Continuing operations	2,026	(2,373)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Foreign currency translation differences	(89)	70
Effective portion of changes in fair value of cash flow hedges	(212)	(18)
Other comprehensive income/(loss) for the half year, net of income tax	(301)	52
Total comprehensive profit/(loss) for the half year	1,725	(2,321)
Total comprehensive profit/(loss) attributable to:		
Owners of the Company	1,725	(2,321)
Non-controlling interests	-	-
Total comprehensive profit/(loss) for the half year	1,725	(2,321)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the consolidated financial statements.

Coventry Group Ltd and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2019

	Note	31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		2,996	5,314
Trade and other receivables		30,813	35,833
Inventories		66,070	59,886
Other financial assets at amortised cost		2,179	2,023
Other current assets		2,486	1,623
Total current assets		104,544	104,679
Trade and other receivables		1,906	-
Deferred tax assets		2,312	1,185
Property, plant and equipment	3	6,698	5,864
Right-of-use assets	4	53,427	-
Intangible assets	5	46,849	46,562
Total non-current assets		111,192	53,611
Total assets		215,736	158,290
Liabilities			
Trade and other payables		38,228	38,204
Employee benefits		5,942	5,734
Interest-bearing loans and borrowings		8,871	9,411
Lease liability		10,995	-
Income tax payable		260	526
Total current liabilities		64,296	53,875
Employee benefits		185	157
Other payables		-	3,228
Provisions		3,161	-
Lease liability		44,526	-
Total non-current liabilities		47,872	3,385
Total liabilities		112,168	57,260
Net assets		103,568	101,030
Equity			
Issued capital	6	149,617	149,517
Reserves		(5,175)	(4,874)
Retained earnings		(40,874)	(43,613)
Total equity		103,568	101,030

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

Coventry Group Ltd and its controlled entities
Condensed consolidated statement of changes in equity
For the half year ended 31 December 2019

	Hedge reserve \$'000	Translation reserve \$'000	Other reserve \$'000	Total reserves \$'000	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2019	96	(1,396)	(3,574)	(4,874)	149,517	(43,613)	101,030
Adjustment on initial application of AASB16, net of tax	-	-	-	-	-	713	713
Adjusted Balance at 1 July 2019	96	(1,396)	(3,574)	(4,874)	149,517	(42,900)	101,743
Total comprehensive (loss)/income for the half year							
Profit for the half year	-	-	-	-	-	2,026	2,026
Other comprehensive (loss)/income for the half year:							
Foreign currency translation differences	-	(89)	-	(89)	-	-	(89)
Effective portion of changes in fair value of cash flow hedges	(212)	-	-	(212)	-	-	(212)
Total other comprehensive (loss)/income	(212)	(89)	-	(301)	-	-	(301)
Total comprehensive (loss)/income for the half year	(212)	(89)	-	(301)	-	2,026	1,725
Transactions with owners, recorded directly in equity							
Share issue	-	-	-	-	100	-	100
Share issue costs	-	-	-	-	-	-	-
Balance at 31 December 2019	(116)	(1,485)	(3,574)	(5,175)	149,617	(40,874)	103,568

Amounts are stated net of tax

	Hedge reserve \$'000	Translation reserve \$'000	Other reserve \$'000	Total reserves \$'000	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	192	(1,587)	(3,574)	(4,969)	107,770	(42,187)	60,614
Total comprehensive (loss)/income for the half year							
Loss for the half year	-	-	-	-	-	(2,373)	(2,373)
Other comprehensive (loss)/income for the half year:							
Foreign currency translation differences	-	70	-	70	-	-	70
Effective portion of changes in fair value of cash flow hedges	(18)	-	-	(18)	-	-	(18)
Total other comprehensive (loss)/income	(18)	70	-	52	-	-	52
Total comprehensive (loss)/income for the half year	(18)	70	-	52	-	(2,373)	(2,321)
Transactions with owners, recorded directly in equity							
Share issue	-	-	-	-	15,046	-	15,046
Share issue costs	-	-	-	-	(1,147)	-	(1,147)
Balance at 31 December 2018	174	(1,517)	(3,574)	(4,917)	121,669	(44,560)	72,192

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities
Condensed consolidated statement of cash flows
For the half year ended 31 December 2019

	Note	31 December 2019 \$'000	31 December 2018 \$'000
Cash flows from operating activities			
Cash receipts from customers		139,431	100,305
Cash paid to suppliers and employees		(131,316)	(101,210)
Cash from/(used in) operations		8,115	(905)
Interest paid		(3,009)	(181)
Income taxes refunded/(paid)		(703)	(335)
Net cash from/(used in) operating activities		4,403	(1,421)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		80	-
Interest received		118	9
Payment for acquisition of business, net of cash acquired		-	(8,522)
Acquisition of property, plant and equipment	3	(1,872)	(505)
Acquisition of intangible assets	5	(733)	(47)
Net cash used in investing activities		(2,407)	(9,065)
Cash flows from financing activities			
Proceeds from Borrowings		92,908	98,524
Repayment of Borrowings		(93,448)	(98,524)
Repayment of Lease liabilities		(3,685)	-
Proceeds from issue of shares		-	15,046
Share issue costs		-	(1,147)
Net cash from/(used in) financing activities		(4,225)	13,899
Net increase/(decrease) in cash and cash equivalents		(2,229)	3,413
Cash and cash equivalents at the beginning of the half year		5,314	4,966
Effects of movements in exchange rates on cash and cash equivalents		(89)	72
Cash and cash equivalents at 31 December		2,996	8,451

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the consolidated financial statements.

Coventry Group Ltd

Notes to the condensed consolidated interim financial statements

For the half year ended 31 December 2019

1. Significant accounting policies

Coventry Group Ltd (the "Company") is a for profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half year ended 31 December 2019 comprises the Company and its controlled entities (together referred to as the "Group").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2019 are available upon request from the Company's registered office at 235 Settlement Road, Thomastown VIC 3074, Australia or at www.cgl.com.au.

The Group primarily is involved in the distribution of industrial products and the provision of fluid products and services.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2020.

a) Statement of compliance

The condensed consolidated interim financial statements for the half year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2019. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2019.

b) Basis of preparation

The interim report is presented in Australian Dollars. The interim report is prepared on the historical cost basis except share based payments and derivative financial instruments which are stated at their fair value.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the half year financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c) Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended standard as set out below.

New standard adopted by the Group

The Group has applied the following standard for the first time for their interim reporting period commencing 1 July 2019:

- AASB 16 *Leases*

Due to the transition method chosen by the Group in applying this standard, comparative information throughout the interim financial report has not been restated to reflect the requirements of the new standard.

The impact of the adoption of this standard and the new accounting policies is disclosed in note 8 below.

d) Judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 statements as at and for the year ended 30 June 2019.

Coventry Group Ltd
Notes to the condensed consolidated interim financial statements
For the half year ended 31 December 2019

1. Significant accounting policies (continued)

e) Going concern

In preparing the half year financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the half year financial report. The Directors have a reasonable expectation that the Group will have adequate resources to continue to meet its obligations as they fall due.

2. Segment information

a) Description of segments

The Group has reportable segments as described below. For each of the strategic operating segments, the CEO reviews internal management accounts on a monthly basis. The following summary describes the operations of each of the Group's reportable operating segments:

Trade Distribution	Includes the importation, distribution and marketing of industrial fasteners, industrial hardware supplies and associated products and cabinet making hardware.
Fluid Systems	Includes the design, manufacture, distribution, installation and maintenance of lubrication and hydraulic fluid systems and hoses.

b) Segment information

Information regarding the results of each reportable segment is included below.

Information about reportable segments	Trade Distribution	Fluid Systems	Other business units and consolidation adjustments	Total reportable continuing segments
	\$'000	\$'000	\$'000	\$'000
31 December 2019				
Segment revenue	76,577	45,956	-	122,533
Inter-segment revenue	-	-	-	-
Revenue from external customers	76,577	45,956	-	122,533
Timing of revenue recognition at point in time	76,577	45,956	-	122,533
over time	-	-	-	-
	76,577	45,956	-	122,533
Underlying EBITDA	3,861	5,121	(4,992)	3,990
Depreciation and amortisation	297	323	799	1,419
Underlying EBIT	3,564	4,798	(5,791)	2,571

Coventry Group Ltd
Notes to the condensed consolidated interim financial statements
For the half year ended 31 December 2019

2. Segment information (continued)

b) Segment information (continued)

Information about reportable segments	Trade Distribution	Fluid Systems	Other business units and consolidation adjustments	Total reportable continuing segments
	\$'000	\$'000	\$'000	\$'000
31 December 2018				
Segment revenue	52,327	37,020	-	89,347
Inter-segment revenue	-	-	-	-
Revenue from external customers	52,327	37,020	-	89,347
Timing of revenue recognition at point in time	52,327	37,020	-	89,347
over time	-	-	-	-
	52,327	37,020	-	89,347
Underlying EBITDA	(255)	3,860	(4,436)	(831)
Depreciation and amortisation	202	270	197	669
Underlying EBIT	(457)	3,590	(4,633)	(1,500)

c) Other segment information

i. Segment Revenue

A reconciliation of segment revenue to total revenue from the sale of goods in the Statement of Profit or Loss is provided as follows:

	2019 \$'000	2018 \$'000
Total segment revenue from continuing operations	122,533	89,347
Foreign exchange translation variance	104	271
Total revenue from continuing operations	122,637	89,618

ii. Segment Operating Profit/(Loss)

The performance of the Group's reportable segments is based on Underlying EBIT (Earnings before Interest and Tax). This measurement basis excludes the effects of interest on external borrowings, income tax expense, significant items and the effects of AASB16 Leases. A reconciliation of Underlying EBIT to operating profit/(loss) from continuing operations in the Statement of Profit or Loss is provided as follows:

	2019 \$'000	2018 \$'000
Total segment Underlying EBIT from continuing operations	2,571	(1,500)
Foreign exchange translation variance	9	14
Significant expenses	(158)	(357)
Net financing expense, excluding interest on lease liabilities (AASB16)	(576)	(210)
Income tax expense	(215)	(320)
<i>Impact of AASB16</i>		
Depreciation of Right-of-use Assets	(4,377)	-
Net Interest on lease liabilities and sub-lease investment	(2,254)	-
Reversal of net rent and lease payments and receivables	5,796	-
Income tax benefit	1,211	-
Foreign Exchange translation	19	-
Total operating profit (loss) from continuing operations	2,026	(2,373)

Coventry Group Ltd
Notes to the condensed consolidated interim financial statements
For the half year ended 31 December 2019

3. Property, plant and equipment

	Plant and equipment \$'000
Cost at 1 July 2019	44,080
Accumulated depreciation at 1 July 2019	(38,216)
Carrying amounts at 1 July 2019	<u>5,864</u>
Additions	1,872
Depreciation for the period	(973)
Disposals	(65)
Carrying amount at 31 December 2019	<u>6,698</u>

4. Right-of-use assets

	Property \$'000	Vehicles \$'000	Total \$'000
Carrying amounts at 30 June 2019	-	-	-
Recognition of right-of-use asset on initial application of AASB16	50,125	4,865	54,990
Adjusted carrying amount at 1 July 2019	<u>50,125</u>	<u>4,865</u>	<u>54,990</u>
Additions	2,822	-	2,822
Depreciation for the period	(3,552)	(825)	(4,377)
Effect of movements in foreign exchange	(6)	(2)	(8)
Carrying amount at 31 December 2019	<u>49,389</u>	<u>4,038</u>	<u>53,427</u>

5. Intangible assets

	Goodwill \$'000	Brand names \$'000	Customer relationships \$'000	Computer software \$'000	Total \$'000
Carrying amounts at 1 July 2019	26,395	11,376	5,899	2,892	46,562
Additions	-	-	-	733	733
Amortisation for the period	-	-	(305)	(141)	(446)
Carrying amounts at 31 December 2019	<u>26,395</u>	<u>11,376</u>	<u>5,594</u>	<u>3,484</u>	<u>46,849</u>

6. Capital and reserves

Share capital

In September 2019, 109,276 performance rights issued in accordance with the Executive and Director Incentive Plan were converted to ordinary shares.

Dividends

No dividends have been declared or paid for the half year ended 31 December 2019 (31 December 2018: \$Nil).

7. Events occurring after the reporting period

Other than the matters outlined elsewhere in the Group's half year financial statements, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs on the Group in subsequent accounting periods.

Coventry Group Ltd

Notes to the condensed consolidated interim financial statements

For the half year ended 31 December 2019

8. Change in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and also discloses the new accounting policies applied from 1 July 2019.

(i) Accounting policies applied effective 1 July 2019

Leases in which the Group is a lessee

From 1 July 2019, the Group recognises all lease liabilities and corresponding right-of-use assets, with the exception of short-term (12 months or fewer) and low value leases, on the balance sheet.

Lease liabilities are initially measured at the net present value of future lease payments and extension options expected to be exercised. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities. Payments are discounted at the incremental borrowing rate of the lessee. Non-lease components are excluded from the projection of future lease payments and recorded separately within operating costs on a straight-line basis.

The right-of-use asset, resulting from a lease arrangement, at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

Leases in which the Group is a lessor

The Group sub-leases some of its properties. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. However, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

IFRIC decision: Lease Term and Useful Life of Leasehold Improvements

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) clarified how lease term of a cancellable or renewable lease should be determined. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. As at 31 December 2019, the Group has not adopted this IFRIC Agenda Decision. The impact of the change is not reasonably estimable as the Group has yet to complete its assessment.

(ii) Accounting policies applied for comparative reporting period ended 30 June 2019 and 31 December 2018

Leased assets

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made and material incentives received under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(iii) Impact on adoption on 1 July 2019

Leases in which the Group is a lessee

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the information presented for comparative periods has not been restated.

The Group made the following additional choices, as permitted by AASB 16, for existing operating leases:

- for contracts in place on 1 July 2019, the Group continued to apply its existing definition of leases under the previous standards.
- not to bring leases with 12 months or fewer remaining to run as at 1 July 2019 (including reasonably certain options to extend) on balance sheet. Costs for these items will continue to be expensed directly to the income statement.
- to apply the use of hindsight when reviewing the lease arrangements for determination of the measurement or term of the lease under the retrospective option.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Coventry Group Ltd
Notes to the condensed consolidated interim financial statements
For the half year ended 31 December 2019

8. Change in accounting policies (continued)

On transition to AASB 16, the Group recognised additional right-of-use assets of \$55.0 million additional lease liabilities of (\$56.5) million net adjustments to other assets and liabilities of \$2.2 million, and a charge of (\$0.7) million to retained earnings.

The most significant differences between the Group's undiscounted non-cancellable operating lease commitments of \$47.4 million at 30 June 2019 is summarised below:

Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statement	\$'000
	47,418
Leases expiring in 12 months or fewer	(1,014)
Cost of reasonably certain lease extension options (undiscounted)	32,101
Effect of discounting on payments included in the calculation of the lease liability	(22,013)
Lease liability opening balance reported as at 1 July 2019 under AASB 16	56,492

(iv) Impact on the financial statements for half year ended 31 December 2019

In relation to the leases recognised under AASB 16 the Group recognised depreciation and interest costs, instead of operating lease expense, During the half year ended 31 December 2019 the Group recognised \$4.4 million of depreciation charges and \$2.3 million of interest costs from these leases.

Coventry Group Ltd and its controlled entities

Directors' Declaration

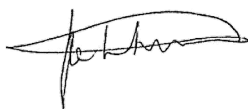
In the opinion of the Directors of Coventry Group Ltd ("the Group"):

1. the condensed consolidated interim financial statements and notes, set out on pages 6 to 16, 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 2019 and of their performance, for the half year ended on that date; and
 - b) complying with Australian Accounting Standards AASB 134 '*Interim Financial Reporting*' and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Group 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 Directors.



N.G. CATHIE
Chairman
Melbourne
21 February 2020



R.J. BULLUSS
Chief Executive Officer and Managing Director
Melbourne
21 February 2020



Independent Auditor's Review Report

To the shareholders of Coventry Group Ltd

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Coventry Group Ltd.

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 Coventry Group Ltd 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 2019 and of 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*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2019
- Condensed Consolidated statement of profit or loss, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Coventry Group Ltd (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year 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 Half-year 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 2019 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 Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year 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.

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

KPMG

KPMG

J Carey

Partner

Melbourne

21 February 2020