Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market
Full Year Ended 30 June 2023

			$'000
Revenue	Up	11.2% to	358,543
Underlying EBITDA[1]	Up	9.7% to	17,005
Profit before tax	Down	49.3% to	3,723
Profit after tax attributable to members	Down	48.9% to	2,472

1. Underlying EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude the impact of AASB 16 Leases and significant items. Underlying EBITDA is a non-IFRS measure and reflects how management measures performance of the Group.

Dividends (distributions)

	Amount per security	Franked amount per security
Final dividend	3.5 cents	3.5 cents
Record date for determining entitlements to the dividends	29 September 2023	
Date the dividends are payable	13 October 2023	

Dividend reinvestment plan (DRP)

The Company's Dividend Reinvestment Plan enables eligible shareholders to reinvest their dividend in additional shares in the Company.

Net Tangible Assets Per Security

As at 30 June 2023	0.40
As at 30 June 2022	0.40

The financial statements have been audited and an unmodified opinion has been issued.

Coventry Group Limited advises that its Annual General Meeting will be held on Friday 20 October 2023. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to the ASX after dispatch.

In accordance with ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5.00pm (AEST) 1 September 2023.

Coventry Group Ltd

ANNUAL REPORT 2023

VALUES

AT COVENTRY GROUP, OUR VALUES ARE

SAFETY FIRST

We place the health, safety and wellbeing of our people first

DO THE RIGHT THING - FAIRNESS, INTEGRITY & RESPECT

We treat everyone equally, we operate with competence and we treat everyone with respect

WORK AS A TEAM

We work with stregth and resilience together.

BE THE BEST AT EVERYTHING WE DO

We strive to be better every day, finding new ways to grow our company and each other

OUR PEOPLE **we trust and emplower our people**

OUR CUSTOMERS **we are dedicated to our customer's needs**

OUR SUPPLIERS **we work in partnership with our suppliers**

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CHAIRMAN'S REPORT

FY23 RESULTS

Coventry achieved its sixth consecutive year of sales and Underlying EBITDA[1] growth in 2023 with pleasing contributions from our Trade Distribution and Fluid Systems segments. Group sales revenue was up 11.2% to $358.5m, while Underlying EBITDA[1] improved 9.7% to $17.0m.

The businesses within each segment continue to successfully provide specialised industrial products, services and customised solutions to our wide network of customers.

Our vision is to be Australia and New Zealand's leading industrial supply and services group where we do the right thing by our people, customers and partners to create a sustainble future.

Our focus on specialisation differentiates us from our competitors and is underpinned by our value proposition of quality products, stock availability, expertise, agility and geographic coverage. In both segments we have a well-defined pipeline of organic growth opportunities encompassing expanding and upgrading our network, improving our customer value proposition, service and product extensions and digitalisation.

Generally, the Group has a very small share of the markets in which it operates so there are many opportunities for growth organically and via acquisition and this is a factor driving our strategy and planning. In order to deliver on identified growth opportunities, we need the right people and to that end we continue to refine and improve our people management systems to build skills and expertise for future business growth.

The Group continues to have a strong working capital position with Current Assets exceeding Current Liabilities by $25.3m. We were very pleased with the cash conversion outcome of 112.5% for FY23. As an indicator of financial health, this outcome is a huge improvement on prior periods. The Group has substantial Australian tax losses of $66.8m against which a Deferred Tax Asset of $14.1m has been recognised in its Statement of Financial Position.

DIVIDENDS

The Board has declared a final dividend of 3.5 cents per share, fully franked. The Company's Dividend Reinvestment Plan remains active, enabling eligible shareholders to reinvest their dividend in additional shares in the Company.

EXECUTIVE REMUNERATION

The Company Executive and Director Incentive Plan provides for the granting or issuing of Performance Rights to eligible Executives in accordance with its terms and subject to the terms and performance hurdles set by the Board. The CEO and Managing Director's total remuneration includes a Plan award and, as required by the ASX Listing Rules, the Company will seek shareholder approval to grant him Performance Rights for his participation in the Plan for 2024. Full particulars will be published in the Notice of Annual General Meeting for the meeting to be held on 20 October 2023.

PEOPLE

I would like to thank my Board colleagues for their continuing contribution, support and guidance in 2023. On behalf of the Board, I would like to thank all our colleagues for their commitment to the business and its core values. Six years of consecutive growth does not happen without a lot of hard work from a lot of people and improved financial results are but one measure of the success of their efforts. To our shareholders, my continuing thanks for your ongoing and patient support.

OUTLOOK

Our primary end markets remain resilient, supply chain issues have eased and we only have a small exposure to segments of the economy which are slowing however given continuing macroeconomic volatility we will not be providing full year guidance but will continue to provide quarterly trading updates to the market.

Neil G. Cathie

Chairman of the Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

FY23 was another positive year for the Group. The Group delivered solid full year FY23 Sales and Underlying EBITDA[1] growth. My thanks go to every person in the Group for their effort, expertise and professionalism.

We are pleased to report the Coventry Group's strategy based on specialisation and service excellence is continuing to be resilient and has delivered a sixth consecutive year of Sales and Underlying EBITDA[1] growth. The strong results were achieved against a backdrop of increasing wage and cost inflation, labour and skills shortages and rising interest rates. These challenges are expected to remain in FY24.

Demand remains robust in our primary end markets and we have very modest exposure to segments of the economy that are slowing, namely household discretionary expenditure and residential construction. The Group operates in multi-billion-dollar fragmented markets and has very modest market shares.

We are confident that we have the right strategy, the right people, and operate in the right markets to continue our journey of sustainable profitable growth.
Our consistent delivery of sales growth and improved profit results are proof that our strong value proposition and commitment to our core values deliver results.

Note 1: Underlying EBIT and Underlying EBITDA exclude the impact of AASB 16 Leases and significant items.

HEALTH, SAFETY AND WELLBEING

The Group prioritises the Health, Safety and Well-being of our people along with our customers, suppliers and communities. We aspire to zero LTI's and zero harm to our people. During FY23 we had 10 Lost Time Injuries (LTI's) across all of our business units. All incidents and serious near misses are reviewed by our safety team and the Coventry Leadership Team (CLT) to ensure we share lessons and improve safety systems.

During FY23 we focused on our Safety First program, ran Safe Work month programs in October, continued to enhance our safety management platform Donesafe and increased hazard identification and resolution. We also trained Mental Health First Aiders and launched our Mental Health First Aid program.

PEOPLE

During FY23 we refined our values to Safety First, Doing the Right Thing (Fairness, Integrity, Respect), Working as a Team and Being the Best at Everything we do. We remain focussed on doing the right thing in all our interactions with our people, customers, suppliers and communities.

During the year we:

- Implemented a new Progress Review program for the development of our people.
- Introduced a new Graduate Program.
- Developed a comprehensive induction program for use by Managers in the Konnect and Artia Australia (KAA) business unit. This will be rolled out through the Group in FY24.
- Implemented sales training programs into KAA and Nubco.
- Developed a Diversity and Inclusion framework.

ENVIRONMENT, SOCIAL AND GOVERNANCE

From an environmental perspective we:

- Completed gathering our Scope 1 and Scope 2 data from FY22 and now have our Greenhouse Gas Emissions baseline.
- Implemented a number of reduction strategies across the business. These were highlighted by:
  - ◊ A reduction of 17% of plastic from Konnect packaging and a change of our traditional yellow boxes to the easily recyclable plain brown boxes in line with the Australian Packaging Guidelines.
  - ◊ Our 'Flick the Switch' energy reduction and 'Eco-drive' fuel reduction campaigns.
  - ◊ Our annual World Environment Day eco-audits resulting in a number of recycling, water saving and lighting improvements across the business.

From a social perspective, we supported our people and communities including:

- Donations to charities through our Matched Giving and Workplace Giving Programs.
- Proudly sponsoring numerous sporting and community programs throughout Australia and New Zealand.

From a governance perspective we:

- Continued to conduct internal risk reviews to ensure the continuity of our business.
- Submitted our third Modern Slavery Statement, and completed audits on our top 15 local suppliers, which equated to over 90% of our total local spend.
- Extensively reviewed our Whistleblower Policy ensuring new legislation was covered from both an Australian and New Zealand perspective.

- As part of our regular review, we updated all our Corporate Governance policies including Securities Trading, Continuous Disclosure, Fraud, Privacy, Security and Risk Management.

BUSINESS PERFORMANCE

Trading performance improved during FY23 with the Group delivering both Sales and Underlying EBITDA[1] growth.

The Group achieved sales growth for FY23 of 11.2% to $358.5m ($322.3m FY22) and a 9.7% increase in Underlying EBITDA[1] to $17.0m ($15.5m FY22). Group Underlying EBIT[1] for FY23 was $13.4m ($12.4m FY22) and Net Profit after Tax for the year was $2.5m ($4.8m FY22). The reduction in Net Profit after Tax was due principally to costs in relation to the ERP upgrade of $5.5m.

The Group has a solid balance sheet with Net Assets of $113.0m and Net Tangible Assets of $36.8m at 30 June 2023. At 30 June 2023 the Group had net debt of $33.5m ($33.1m FY22). Cash Conversion for the year was 112.5%.

Note 2: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by Underlying EBITDA[1]

BUSINESS PERFORMANCE

FY23 GROUP SALES GROWTH

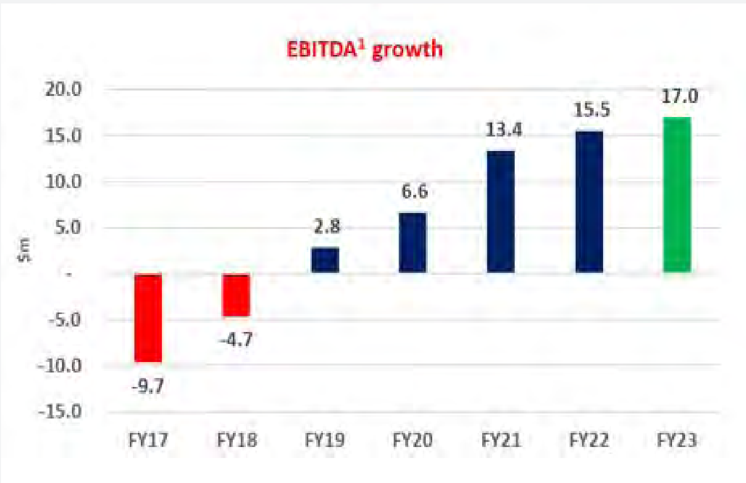
11.2%

FY23 GROUP SALES

$358.5m

FY22 GROUP SALES

$322.3m



TRADING PERFORMANCE IMPROVED DURING FY23 WITH THE GROUP DELIVERING BOTH SALES AND UNDERLYING EBITDA[1] GROWTH.

net debt

$33.5m

net tangible assets

$36.8m

net assets

$113.0m

TRADE DISTRIBUTION

Our Trade Distribution (TD) segment has expanded to a network of 65 branches across Australia and New Zealand supported by 3 Distribution Centres. It comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ) and Nubco in Tasmania. TD supplies a range of fastening systems, cabinet hardware systems, industrial and construction products to customers in the Industrial, Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources/Oil and Gas and Agriculture and Aquaculture sectors.

TD sales for the year of $210.1m up 8.8% on FY22.
TD Underlying EBITDA[1] of $17.0m up 5.4% on FY22.

Konnect and Artia Australia (KAA)

KAA is one of Australia's leading fastener specialists and supplier of cabinet hardware.

KAA delivered sales growth and Underlying EBITDA[1] growth on the prior year up 10.3% and 13.4% respectively. To achieve the result KAA improved their value proposition, service levels and reputation in the marketplace. The store network was upgraded with store makeovers completed in Hobart, Lismore and Toowoomba and branch relocations to larger facilities in better locations completed in Geelong, Artarmon and Wollongong. In FY24 we will continue store makeovers (Laverton, Kwinana, Shepparton, Wingfield, Wacol, Bibra Lake, Lonsdale and Townsville) and relocations (Wagga Wagga, Orange, Mildura and Dandenong). We have plans to expand the store network by three to four in FY24.

Konnect and Artia New Zealand (KANZ)

KANZ is New Zealand's leading fastener specialist and supplier of cabinet hardware and temporary fencing.

KANZ delivered sales growth and Underlying EBITDA[1] growth on the prior year up 19.0% and 35.2% respectively. During the year we consolidated two of our Auckland branches into a larger location with an expanded showroom. Auckland is now serviced by branches in Albany, East Tamaki and Silverdale. The opening of a new branch in Palmerston North early in FY24 has taken our branch footprint to 18. We also relocated our Albany branch to a larger facility and refurbished our Dunedin branch.

Nubco

Nubco is a specialist supplier of steel, reinforcing, fasteners, construction products, power tools, hand tools, PPE and consumables in Tasmania.

Nubco sales slowed in FY23 after two very strong years of growth. Deflation on steel products and a decline in discretionary spend impacted the result. The Tasmanian building and construction, infrastructure and agriculture markets are performing well so we are confident we can continue to grow in this market.

FLUID SYSTEMS

Fluid Systems (FS) is an innovative specialist service provider to the mining, agriculture, defence, construction, manufacturing and allied industries. FS specialises in hydraulic, lubrication, fluid transfer, refuelling, fire suppression, automation systems and products. FS has the capability to design, manufacture, install, maintain and supply full turn-key solutions and components and operates 15 branches across Australia.

FS had an excellent year growing both Sales and Underlying EBITDA[1] despite a continuing backdrop of labour and skills shortages and input costs escalation.

FS is positioned for further growth in the coming years as we expect their core markets of mining and resources, defence and agriculture to perform well. We can increase market share through our value proposition, expansion of our product and service offering, expanding our hydraulics capabilities and further diversification into sectors outside of the mining and resources sector. FS has demonstrated through various cycles, that it has the capability to scale according to prevailing market conditions.

FS sales for the year of $148.1m up 14.1% on FY22.
FS Underlying EBITDA[1] of $15.3m up 19.0% on FY22.

CENTRAL SERVICES

Our financing facility with the National Australia Bank for $55.0m was re-signed to July 2026. The move to the National Australia Bank in Australia for transaction banking and the move of our New Zealand banking to Bank of New Zealand has been completed.

Corporate costs are currently running at 4.6% of sales (4.6% FY22). We expect productivity projects will allow us to continue to reduce corporate cost % to sales in FY24.

TECHNOLOGY

The ERP upgrade to Microsoft Dynamics 365 Finance and Operations continues to progress to plan and is on schedule and in line with budget.

Our experienced project team and implementation support partners are working closely together and have completed the requirements definition and design phases of the project. The build phase is well advanced. We will pilot the first branch in February 2024 after completing 5 rounds of User Acceptance Testing. We are on target to complete the project by December 2024.

The system will integrate seamlessly with our existing Microsoft systems including Office, SharePoint, Teams, Power BI and CRM. We expect significant improvements in customer service and productivity post implementation of the system.

ACQUISITIONS

Our FY22 acquisitions, Goudie Holdings Limited and NZ Plank Hire Limited ("GHL") and Fraser Coast Bolts and Industrial Supplies ("FCB") have both performed to expectations since joining the Group at the start of April 2022..

SIGNIFICANT ITEMS

The FY23 result was impacted by costs in relation to the ERP Upgrade of $5.5m.

NET ASSETS/WORKING CAPITAL

The Group has a solid balance sheet with Net Tangible Assets of $36.8m and Net Assets of $113.0m compared to $113.6m in FY22. Initiatives to reduce working capital and maximise cash conversion remain a key focus area for the Group.

The Group has tax losses of $66.8m available for use in Australia and franking credits of $8.5m available at balance date.

NET DEBT POSITION

Net debt of $33.5m at 30 June 2023 (net debt of $33.1m at 30 June 2022).

Net debt was impacted by:

- ERP project costs ($5.5m)
- FY22 Dividend ($3.0m)
- Capital expenditure ($3.7m)

In FY24 we will continue to take action to prudently manage inventory levels, collections and operating costs.

OUTLOOK

Demand remains robust from our primary end markets (mining and resources, infrastructure, commercial construction and industrial). The Group has very modest exposure to segments of the economy that are slowing, namely household discretionary expenditure and residential construction.

The Group operates in multi-billion-dollar fragmented markets and has very modest market shares.

There are clear plans in place to continue to increase market share via new branch openings, branch refurbishments, product range expansion and an enhanced focus on sales and marketing.

The Board and management are committed to leveraging the scale benefits of the platform established over recent years in all parts of our business. In particular, our goal is to achieve best in-class trade distribution margins over time and to that end we have already identified a range of improvement opportunities which the business is implementing.

Given continuing market uncertainty we will not be providing FY24 guidance but will continue to provide quarterly trading updates to the market.

We remain confident that we will continue to deliver sustainable profitable growth to our shareholders.

Robert J Bulluss
Chief Executive Officer and Managing Director

Coventry Group Ltd and its controlled entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	NOTE	2023	2022
		$'000	$'000
Revenue from sale of goods	2	358,543	322,324
Cost of sales		(215,454)	(195,689)
Gross profit		**143,089**	126,635
Other income		4,156	4,097
Employment costs	5	(81,592)	(74,255)
Depreciation and amortisation expense	13, 14, 15	(16,385)	(14,142)
Occupancy costs		(2,388)	(1,946)
Communication costs		(3,973)	(3,733)
Freight		(8,292)	(8,006)
Vehicle operating costs		(3,277)	(2,215)
ERP implementation costs	27	(5,492)	(34)
Other expenses		(16,631)	(14,177)
Profit before net financial expense and tax		**9,215**	12,224
Financial income	6	1,015	318
Financial expense	6	(6,507)	(5,200)
Net financial expense	6	**(5,492)**	(4,882)
Profit before income tax		**3,723**	7,342
Income tax expense	7	(1,251)	(2,501)
Profit for the year		**2,472**	4,841
Earnings per share:			
Basic earnings per share:	8	2.7 cents	5.3 cents
Diluted earnings per share:	8	2.7 cents	5.2 cents

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

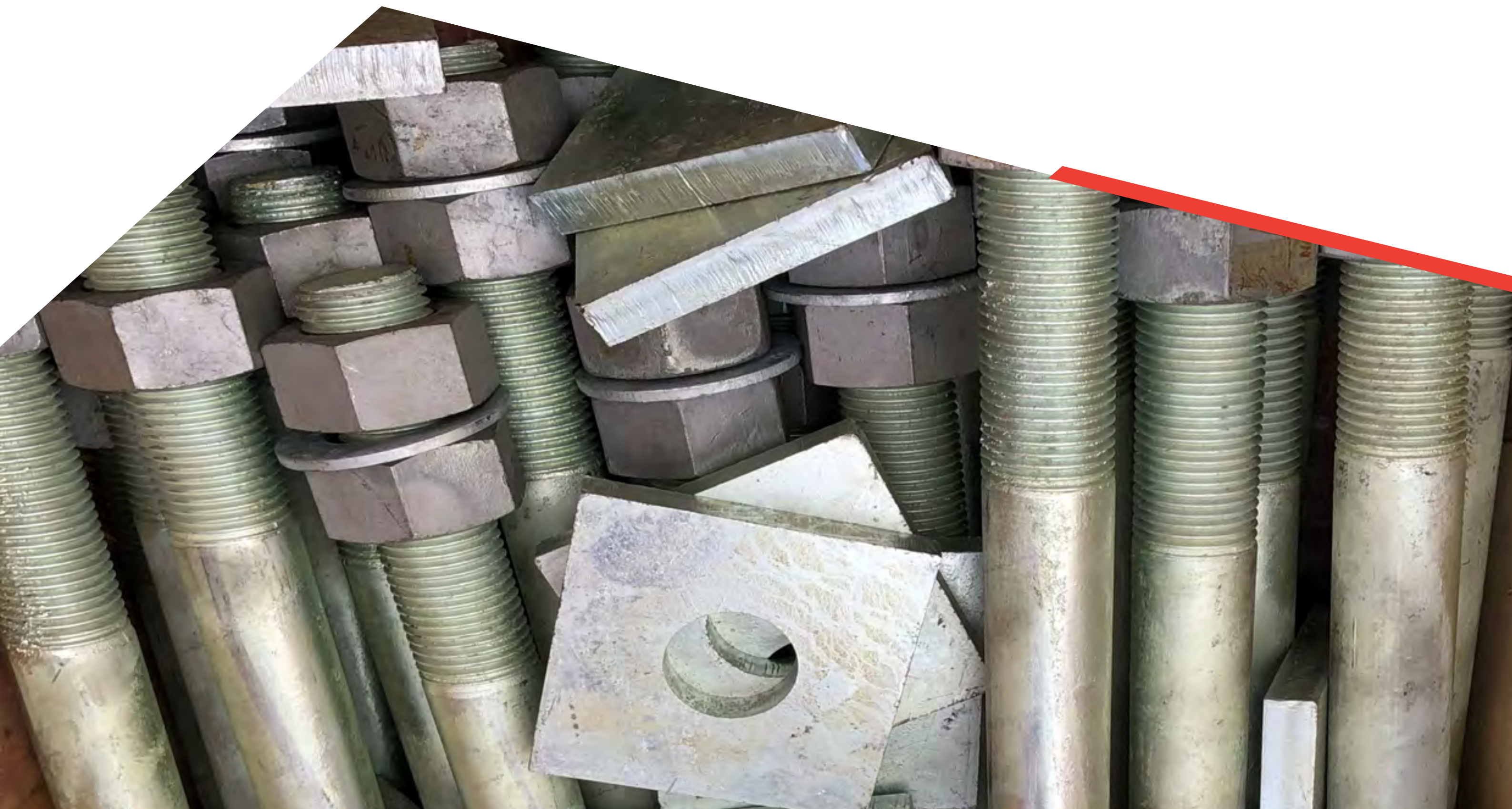
Coventry Group Ltd and its controlled entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTE	2023	2022
		$'000	$'000
Profit for the year		**2,472**	4,841
Other comprehensive income items that may be reclassified to profit or loss:			
Foreign currency translation differences		**(213)**	(638)
Effective portion of changes in fair value of cash flow hedges		**(284)**	267
Other comprehensive loss for the year, net of income tax		**(497)**	(371)
Total comprehensive income for the year		**1,975**	4,470

The 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2023

	NOTE	2023	2022
		$'000	$'000
Assets			
Cash and cash equivalents	9	3,859	15,319
Trade and other receivables	10	53,302	48,020
Inventories	11	72,402	73,767
Other financial assets	10	2,705	2,668
Prepayments	10	4,894	4,587
Total current assets		**137,162**	144,361
Other receivables	10	1,313	1,604
Deferred tax assets	7	21,339	21,845
Property, plant and equipment	13	13,990	13,190
Right-of-use assets	14	54,132	42,168
Intangible assets	15	54,861	55,630
Total non-current assets		**145,635**	134,437
Total assets		**282,797**	278,798
Liabilities			
Trade and other payables	17	52,217	48,875
Employee benefits		8,158	7,513
Interest-bearing loans and borrowings	18	37,394	48,411
Lease liability		13,024	10,830
Provisions	19	603	741
Income tax payable		453	286
Total current liabilities		**111,849**	116,656
Employee benefits		535	374
Other payables	17	574	734
Provisions	19	2,383	2,206
Lease liability		54,505	45,237
Total non-current liabilities		**57,997**	48,551
Total liabilities		**169,846**	165,207
Net assets		**112,951**	113,591
Equity			
Issued capital	21	152,725	151,618
Reserves		(5,030)	(4,038)
Profit reserve		8,611	9,366
Accumulated losses		(43,355)	(43,355)
Total equity		**112,951**	113,591

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


KONNECT
FASTENING SYSTEMS

Coventry Group Ltd and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Hedge reserve	Translation reserve	Other reserve	Total reserves	Profit reserve	Share capital	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	299	(2,618)	(1,719)	(4,038)	9,366	151,618	(43,355)	113,591
Total comprehensive income/(loss) for the year								
Profit for the year	-	-	-	-	2,472	-	-	2,472
Other comprehensive income/(loss):								
Foreign currency translation differences	-	(213)	-	(213)	-	-	-	(213)
Effective portion of changes in fair value of cash flow hedges	(284)	-	-	(284)	-	-	-	(284)
Total other comprehensive loss	**(284)**	**(213)**	**-**	**(497)**	**-**	**-**	**-**	**(497)**
Total comprehensive income/(loss) for the year	**(284)**	**(213)**	**-**	**(497)**	**2,472**	**-**	**-**	**1,975**
Transactions with owners, recorded directly in equity								
Share issue	-	-	-	-	-	1,114	-	1,114
Share issue costs	-	-	-	-	-	(7)	-	(7)
Equity-settled share-based payments	-	-	(495)	(495)	-	-	-	(495)
Dividends	-	-	-	-	(3,227)	-	-	(3,227)
Balance at 30 June 2023	**15**	**(2,831)**	**(2,214)**	**(5,030)**	**8,611**	**152,725**	**(43,355)**	**112,951**

Amounts are stated net of tax

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the consolidated financial statements.

	Hedge reserve	Translation reserve	Other reserve	Total reserves	Profit reserve	Share capital	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	32	(1,980)	(1,948)	(3,896)	7,246	149,773	(43,355)	109,768
Total comprehensive income/(loss) for the year								
Profit for the year	-	-	-	-	4,841	-	-	4,841
Other comprehensive income/(loss):								
Foreign currency translation differences	-	(638)	-	(638)	-	-	-	(638)
Effective portion of changes in fair value of cash flow hedges	267	-	-	267	-	-	-	267
Total other comprehensive income/(loss)	267	(638)	-	(371)	-	-	-	(371)
Total comprehensive income/(loss) for the year	267	(638)	-	(371)	4,841	-	-	4,470
Transactions with owners, recorded directly in equity								
Share issue	-	-	-	-	-	1,851	-	1,851
Share issue costs	-	-	-	-	-	(6)	-	(6)
Equity-settled share-based payments	-	-	229	229	-	-	-	229
Dividends	-	-	-	-	(2,721)	-	-	(2,721)
Balance at 30 June 2022	299	(2,618)	(1,719)	(4,038)	9,366	151,618	(43,355)	113,591

Amounts are stated net of tax

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the consolidated financial statements.

Coventry Group Ltd and its controlled entities

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	NOTE	2023	2022
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers		395,898	355,524
Cash paid to suppliers and employees		(370,038)	(339,690)
Cash from operations		**25,860**	15,834
Interest paid		(6,315)	(5,010)
Income taxes paid		(457)	(186)
Net cash from operating activities	25	**19,088**	10,638
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		211	147
Payment for acquisitions of business, net of cash acquired		-	(10,365)
Interest received		525	269
Acquisition of property, plant and equipment	13	(3,732)	(4,278)
Acquisition of intangible assets	15	(7)	(123)
Net cash (used in) investing activities		**(3,003)**	(14,350)
Cash flows from financing activities			
Proceeds from borrowings		940,570	492,556
Repayment of borrowings		(951,485)	(468,645)
Repayment of lease liabilities		(13,131)	(11,107)
Share issue costs		(7)	(6)
Dividends paid	21	(3,044)	(1,556)
Net cash from financing activities		**(27,097)**	11,242
Net increase/(decrease) in cash and cash equivalents		(11,012)	7,530
Cash and cash equivalents at 1 July		15,319	8,221
Effect of movements in exchange rates on cash and cash equivalents		(448)	(432)
Cash and cash equivalents at 30 June	9	**3,859**	15,319

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. SIGNIFICANT ACCOUNTING POLICIES

Coventry Group Ltd (the "Company") is a for profit company domiciled in Australia. The address of the Company's registered office is 235 Settlement Road Thomastown VIC 3074 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2023 comprises the Company and its controlled entities (together referred to as the "Group").

The Company is party to a deed of cross-guarantee with its subsidiary entities. Under the deed of cross-guarantee, each body has guaranteed that the debts to each creditor of each other body which is a party to the deed will be paid in full in accordance with the deed.

The financial report was authorised for issue by the Directors on 25 August 2023.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is presented in Australian dollars, which is the Company's functional currency. The financial report is prepared on the historical cost basis except for certain financial assets and liabilities (including 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 financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The Group has consistently applied the accounting policies (as set out in Note 1(d) – 1(u)) to all years presented in this consolidated financial report.

Going Concern

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which includes consideration of ongoing compliance with financial debt covenants, 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 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.

(c) New and amended standards adopted by the Group

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

There are no significant new standards or interpretations not yet adopted.

Standards issued but not yet effective

The Group has not early adopted the following new or amended standards issued but not yet effective. The standards are not expected to have a significant impact on the Group's consolidated financial statement.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).*

1. Significant accounting policies (continued)

(d) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated statement of profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements, net of impairment write downs. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1. Significant accounting policies (continued)

(e) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with a maturity of three months or less at inception date.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads. An impairment allowance is made for obsolete, damaged and slow-moving inventories.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less loss allowance.

(i) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment loss.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives from the date that they are installed and are ready for use.

The estimated useful lives for each class of asset are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	5% - 40%

(j) Intangibles

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 1(d). Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Computer software comprises licence costs and direct costs incurred in preparing for the operation of that software, including associated process re-engineering costs. Computer software is measured at cost less accumulated amortisation and impairment losses. Computer software costs that have been categorised as a Software-as-a-Service (SaaS) arrangement are recognised as an expense in the consolidated statement of profit or loss.

1. Significant accounting policies (continued)

Other intangible assets

Brand names and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Brand names have an indefinite useful life and are measured at cost less accumulated impairment losses. Customer relationships have a finite useful life and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Except for goodwill and brand names, intangible assets are amortised on a straight-line basis in the consolidated statement of profit or loss over their estimated useful lives, from the date that they are available for use. In current and comparative periods, customer relationships was estimated to have a useful life of 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Financial Instruments

Investments and other financial assets

The Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of profit or loss.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its instruments carried at amortised cost and fair value through other comprehensive income ("OCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has concluded that the expected loss rates of trade receivables are a reasonable approximation to the loss rates for the contract assets.

(l) Impairment of assets (financial and non-financial)

Non-financial

Goodwill and intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Other assets are tested for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs of disposal and value in use.

Financial

Financial assets are tested for impairment at each financial year end.

(m) Employee benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is non-vesting and has not been provided for.

(n) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Make good

Provision for make good in respect of leased properties is recognised where appropriate based on the estimated cost to be incurred to restore premises to the required condition under the relevant lease agreements.

(o) Trade and other payables

Trade and other payables are stated at amortised cost.

1. Significant accounting policies (continued)

(p) Revenue and other income

Revenue is recognised when control of a good or service transfers to a customer. Determining the timing of the transfer of control – at a point in time or over time - requires judgement.

Sale of goods – revenue recognised at a point in time

Revenue from the sale of goods that are not subject to contract manufacturing arrangements is measured at the fair value of the consideration received or receivable, net of returns, rebates and goods and services tax payable to the taxation authority.

Revenue is recognised when a customer obtains control of the promised goods and the Group has satisfied its performance obligation in relation to the promised goods. In determining when control of promised goods passes to the customer, the Group considers a variety of factors including a present right to payment, physical possession, legal title, the transfer of significant risk and rewards of ownership of the goods and customer acceptance of the asset. The timing of the transfer of control to the customers for the sale of goods occurs either:

- When the goods are despatched or delivered in line with the Incoterms as detailed in the relevant contract of sale or purchase order for the goods. The Group sells a significant proportion of its products on Free-In-Store/ Delivered at Place Incoterms. This means the Groups control of the goods passes when the product is delivered to the agreed destination;
- When they are made available to the customer and ownership transfers prior to despatch as detailed in the relevant contract of sale or purchase order for the goods; or
- On notification (following stocktake) that the product has been used when the goods are consignment products located at customers' premises.

Where cash consideration has been received but the revenue recognition criteria has not been met, such amounts have been recorded on the consolidated statement of financial position as a contract liability.

Sale of goods – contract manufacturing and supply revenue recognised over time

The Group has determined that for bundled contract manufacturing comprising design, build, install and service elements, the customer controls the goods once the goods are finished and installed on premises in accordance with the relevant contract. This is because under the contract, goods are manufactured to a customer's specification, and if a firm order that is placed by the customer in accordance with the agreement is terminated, the Group is entitled to a reimbursement of the costs incurred in manufacturing the goods, including a reasonable margin. Therefore, revenue for the agreements and the associated costs are recognised over time. That is, before the goods are delivered to the customer' premises. Invoices issued according to contractual terms and amounts not yet invoiced are presented as contract assets.

(q) Leases

Leases in which the Group is a lessee

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 plus, where applicable, provision for dismantling and restoration.

1. Significant accounting policies (continued)

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss 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 Group has applied the guidance set out in AASB 16 to classify these as either a finance lease or operating lease.

Operating leases

Rental income is recognised in the statement of profit or loss as other income.

Finance leases

The Group recognises an investment in sub-lease in the statement of financial position. Rental income is recognised in the consolidated statement of profit or loss as interest income. Finance sub-leases are classified with reference to the right-of-use asset arising from the head lease.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested and on finance leases where the Group is a lessor. Interest income is recognised as it accrues in the consolidated statement of profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and leases.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated statement of profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

1. Significant accounting policies (continued)

Tax consolidation

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 November 2002 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Coventry Group Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the controlled entities is assumed by the head entity in the tax consolidated group and recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are stated with the amount of GST included. Cash flows are included in the statement of cash flows on a gross basis.

(u) Accounting estimates and judgements

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. The estimates and associated assumptions are based on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

- estimation of current tax payable, current tax expense and recovery of deferred tax assets based on forecasted taxable profit – note 1(s) and note 7
- estimated useful life of intangible assets – note 1(j)
- revenue recognition: whether revenue from made-to-order products is recognised over time or at a point in time – note 1(p) and note 2(b)
- estimated impairment of non-financial assets and measurement of the recoverable amount of cash generating units – note 16
- valuation of inventories – note 1(g)
- valuation of trade receivables – note 1 (k) and note 22
- estimation of lease term under AASB16 – note 1 (q)
- estimation of fair value of assets acquired and liabilities assumed in business combinations, and fair value of consideration transferred (including contingent consideration) – note 3
- estimation of share-based payment arrangements – note 20.

2. SEGMENT INFORMATION

(a) Description of segments

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

Trade Distribution	Includes the importation, distribution and marketing of industrial fasteners, industrial hardware supplies and associated products, temporary fencing 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 segments
30 June 2023	$'000	$'000	$'000	$'000
Segment revenue	210,106	148,096	-	358,202
Inter-segment revenue	-	-	-	-
Revenue from external customers	**210,106**	**148,099**	**-**	**358,202**
Timing of revenue recognition at				
point in time	206,881	143,119	-	350,000
over time	3,225	4,977	-	8,202
Total	**210,106**	**148,096**	**-**	**358,202**
Underlying EBITDA[2]	**17,019**	**15,348**	**(15,362)**	**17,005**
Depreciation and amortisation	1,626	944	1,058	3,628
Underlying EBIT[2]	**15,393**	**14,404**	**(16,420)**	**13,377**

[1] Underlying EBITDA and Underlying EBIT are non-IFRS measures and reflect how management measures performance of the Group.

[2] Underlying EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted as a result of AASB16 to exclude leases and significant items. Underlying EBIT is earnings before interest and tax and has been adjusted to exclude leases and significant items.

Information about reportable segments#	Trade Distribution	Fluid Systems	Other business units and consolidation adjustments	Total reportable segments
30 June 2022	$'000	$'000	$'000	$'000
Segment revenue	193,044	129,763	-	322,807
Inter-segment revenue	-	-	-	-
Revenue from external customers	193,044	129,763	-	322,807
Timing of revenue recognition at				
point in time	192,232	126,740	-	318,972
over time	812	3,023	-	3,835
Total	193,044	129,763	-	322,807
Underlying EBITDA[2]	16,148	12,901	(13,544)	15,505
Depreciation and amortisation	977	891	1,282	3,150
Underlying EBIT[2]	15,171	12,010	(14,826)	12,355

[1] Underlying EBITDA and Underlying EBIT are non-IFRS measures and reflect how management measures performance of the Group.

[2] Underlying EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted as a result of AASB16 to exclude leases and significant items. Underlying EBIT is earnings before interest and tax and has been adjusted to exclude leases and significant items.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(c) Other segment information

i. Segment Revenue

A reconciliation of segment revenue to total revenue from the sale of goods in the consolidated statement of profit or loss is provided as follows:

	2023	2022
	$'000	$'000
Total segment revenue	**358,202**	322,807
Foreign exchange translation variance	341	(483)
Total revenue	**358,543**	322,324

ii. Segment Operating Profit

The performance of the Group's reportable segments is based on Underlying EBIT[1]. Reconciliation of Underlying EBIT[1] to operating profit in the consolidated statement of profit or loss is provided as follows:

	NOTE	2023	2022
		$'000	$'000
Total segment Underlying EBIT[1]		**13,377**	12,355
Foreign exchange translation variance		15	(15)
Significant items		(6,394)	(2,149)
Net financing expense, excluding interest on lease liabilities (AASB16)		(1,473)	(1,006)
Income tax benefit/(expense)	7	(1,791)	(3,116)
Reversal of amortisation associated with change in accounting policy relating to software-as-a-service		-	206
Impact of AASB16			
Depreciation of right-of-use assets		(12,739)	(11,202)
Net Interest on lease liabilities and sub-lease investment		(4,015)	(3,877)
Reversal of net rent and lease payments and receivables		14,952	13,031
Income tax benefit	7	540	614
Total operating profit		**2,472**	4,841

(d) Geographic information

Revenue based on the geographic location of customers were Australia $306,457,000 (2022: $279,331,000) and New Zealand $52,086,000 (2022: $42,993,000).

3. BUSINESS COMBINATIONS

Prior period business combination provisional amounts finalised

At 30 June 2022 the amounts disclosed as the fair value of the identifiable assets and liabilities acquired in the business combination of Goudie Holdings Limited and NZ Plank Hire Limited ("GHL") on 31 March 2022 and Fraser Coast Bolts and Industrial Supplies ("FCB") on 1 April 2022 were presented as provisional amounts. The amounts have been finalised and resulted in no change to goodwill or the fair value of assets and liabilities acquired.

The final acquisition accounting for GHL and FCB is summarised below:

Purchase consideration	GHL	FCB	Total
	$'000	$'000	$'000
Cash paid	7,802	2,513	10,315
Cash retention payable	-	280	280
Total	**7,802**	**2,793**	**10,595**
Fair value of net assets acquired			
Inventories	1,538	222	1,760
Other current assets	4	-	4
Property, plant and equipment (note 13)	2,004	45	2,049
Deferred tax assets	28	31	59
Right-of-use assets (note 14)	649	378	1,027
Brand names (note 15)	560	-	560
Other payables	(71)	-	(71)
Employee benefits	(70)	(30)	(100)
Deferred tax liabilities	(157)	-	(157)
Lease liabilities	(649)	(378)	(1,027)
Total identifiable net assets acquired	**3,836**	**268**	**4,104**
Goodwill on consolidation (note 15)	3,966	2,525	6,491
Total	**7,802**	**2,793**	**10,595**

4. AUDITOR'S REMUNERATION

	2023 $	2022 $
Audit services		
Engagement of audit and review of financial reports	347,084	327,720
Non-audit services		
Amounts paid and payable to KPMG:		
Transaction services	-	586,676*
Taxation services	16,792	11,954
Sustainability services	-	11,054
Hosting of AGM	604	-
Total non-audit services	**17,396**	609,684

* Services relating to transactions that did not complete.

5. EMPLOYMENT COSTS

	2023 $'000	2022 $'000
Wages and salaries	62,144	57,572
Liability for annual leave and long service leave	6,473	5,614
Contributions to superannuation funds	6,424	5,638
Payroll taxes	3,745	3,458
Other associated personnel expenses	2,806	1,973
Total	**81,592**	74,255

6. FINANCE INCOME AND FINANCE EXPENSES

	2023 $'000	2022 $'000
Interest income from other entities	294	269
Net foreign exchange gain	721	49
Financial income	**1,015**	318
Interest expense	(2,489)	(1,115)
Interest expense on lease liabilities	(4,018)	(4,085)
Financial expenses	**(6,507)**	(5,200)
Net financial expense	**(5,492)**	(4,882)

7. TAXES

	2023 $'000	2022 $'000
Current tax expense		
Current year	865	2,764
Tax recognised in the profit or loss	**865**	2,764
Deferred tax expense		
Origination and reversal of temporary differences	386	(263)
Total deferred tax (benefit)/expense	**386**	(263)
Total income tax expense	**1,251**	2,501
Reconciliation of effective tax rate		
Profit from operations for the period	2,472	4,841
Total income tax expense	1,251	2,501
Profit before income tax	**3,723**	7,342
Income tax using the Company's domestic tax rate of 30%	1,117	2,203
Non-deductible expenditure	180	332
Effect of lower tax rate applicable to foreign controlled entity	(46)	(34)
Total income tax expense	**1,251**	2,501

7. Taxes (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	189	83	-	(49)	189	34
Inventories	1,255	1,336	-	-	1,255	1,336
Property, plant and equipment	2,124	2,360	-	-	2,124	2,360
Right-of-use assets	-	-	(16,082)	(12,525)	(16,082)	(12,525)
Intangible assets	-	-	(4,605)	(4,785)	(4,605)	(4,785)
Employee benefits	2,596	2,354	-	-	2,596	2,354
Trade and other payables	748	1,054	(7)	(73)	741	981
Provisions	88	125	-	-	88	125
Lease liability	20,900	17,445	`-	-	20,900	17,445
Other items	33	174	-	-	33	174
Tax losses carried forward	14,100	14,346	-	-	14,100	14,346
Tax assets/(liabilities)	**42,033**	39,277	**(20,694)**	(17,432)	**21,339**	21,845
Set off of deferred tax liability	(20,694)	(17,432)	20,694	17,432	-	-
Net deferred tax asset	**21,339**	21,845	**-**	-	**21,339**	21,845

Within the Group Australian operations there are unutilised carried forward tax losses of $66,821,502 (2022: $76,605,343). The Group has determined it is probable that future taxable profits would be available for use against tax losses.

The Australian Group has $16,797,993 in unused tax losses for which no deferred tax asset has been recognised in the statement of financial position.

8. EARNINGS PER SHARE

	2023	**2022**
Weighted average of shares in year used in basic earnings per share (number)	92,111,671	91,013,828
Weighted average of dilutive rights outstanding (number)	856,448	1,628,068
Weighted average of shares in year used in calculating dilutive earnings per share (number)	**92,968,119**	92,641,896
Earnings used in basic and diluted earnings per share calculation ($)	2,471,577	4,841,336
Earnings per share (cents)	2.7 cents	5.3 cents
Diluted earnings per share (cents)	2.7 cents	5.2 cents

9. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash and cash equivalents	**3,859**	15,319

10. TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Current		
Trade receivables	53,626	48,036
Loss allowance (note 22(a))	(598)	(229)
	53,028	47,807
Net investment in sub-lease	274	213
Total	**53,302**	48,020
Other financial assets	2,705	2,668
Prepayments	4,894	4,587
	7,599	7,255
Non-current		
Net investment in sub-lease	1,313	1,604
Total trade and other receivables	**62,214**	56,879

During the year the Group recognised interest income of $176,000 on sub-lease receivables.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk is disclosed in note 22.

11. INVENTORIES

	2023 $'000	2022 $'000
Work in progress	5,540	5,463
Finished goods	71,081	72,796
Provision for obsolescence	(4,219)	(4,492)
Net Inventory balance	**72,402**	73,767

12. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2023 the parent company of the Group was Coventry Group Ltd.

	2023	2022
Results of the parent entity	$'000	$'000
Profit for the year	5,989	6,134
Other comprehensive income/(loss)	(143)	180
Total comprehensive income for the year after tax	**5,846**	6,314
Financial position of parent entity at year end		
Current assets	94,064	99,152
Total assets	246,924	242,554
Current liabilities	93,567	96,253
Total liabilities	129,525	125,642
Net assets	**117,399**	116,912
Total equity of the parent entity comprising:		
Issued capital	152,725	151,618
Reserves	1,373	2,034
Profit reserve	5,716	5,675
Accumulated losses	(42,415)	(42,415)
Total equity	**117,399**	116,912

13. PROPERTY, PLANT AND EQUIPMENT

	$'000
Cost at 1 July 2022	53,340
Accumulated Depreciation at 1 July 2022	(40,150)
Carrying amounts at 1 July 2022	13,190
Additions	3,732
Depreciation charge for the year	(2,775)
Disposals	(211)
Effect of movements in foreign exchange	54
Carrying amounts at 30 June 2023	**13,990**

Cost at 1 July 2021	50,021
Accumulated Depreciation at 1 July 2021	(40,841)
Carrying amounts at 1 July 2021	9,180
Additions	4,278
Additions through business combinations (note 3)	2,049
Depreciation charge for the year	(2,054)
Disposals	(172)
Effect of movements in foreign exchange	(91)
Carrying amounts at 30 June 2022	13,190

14. RIGHT-OF-USE ASSETS

	Property	Vehicles	Total
	$'000	$'000	$'000
Carrying amounts at 1 July 2022	37,227	4,941	42,168
Additions	9,007	7,594	16,601
Terminations	(391)	-	(391)
Lease reassessments	7,376	1,006	8,382
Depreciation for the period	(8,894)	(3,857)	(12,751)
Effect of movements in foreign exchange	104	19	123
Carrying amount at 30 June 2023	**44,429**	**9,703**	**54,132**

Carrying amounts at 1 July 2021	38,159	3,290	41,449
Additions	2,267	2,865	5,132
Acquisitions through business combinations (note 3)	1,027	-	1,027
Terminations	-	-	-
Lease reassessments	4,072	1,885	5,957
Depreciation for the period	(8,140)	(3,062)	(11,202)
Effect of movements in foreign exchange	(158)	(37)	(195)
Carrying amount at 30 June 2022	37,227	4,941	42,168

15. INTANGIBLE ASSETS

	Goodwill	Brand name	Customer relationships	Computer software	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amounts at 1 July 2022	36,949	11,919	4,069	2,693	55,630
Additions	-	-	-	7	7
Amortisation for the year	-	-	(610)	(249)	(859)
Effect of movements in foreign exchange	73	10	-	-	83
Carrying amounts at 30 June 2023	**37,022**	**11,929**	**3,459**	**2,451**	**54,861**
Carrying amounts at 1 July 2021	30,310	11,376	4,679	2,846	49,211
Additions	-	-	-	123	123
Additions through business combinations (note 3)	6,740	560	-	-	7,300
Amortisation for the year	-	-	(610)	(276)	(886)
Effect of movements in foreign exchange	(101)	(17)	-	-	(118)
Carrying amounts at 30 June 2022	36,949	11,919	4,069	2,693	55,630

16. IMPAIRMENT OF NON-FINANCIAL ASSETS

For the purpose of impairment testing, goodwill and indefinite life intangible assets are allocated to the Group's reportable segments. The aggregate carrying amounts of goodwill and indefinite life intangible assets allocated to each CGU are as follows.

	2023			2022		
	Goodwill	Brand Name	Total	Goodwill	Brand Name	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Fluid Systems	15,682	-	15,682	15,682	-	15,682
Trade Distribution	21,340	11,929	33,269	21,267	11,919	33,186
Total	**37,022**	**11,929**	**48,951**	36,949	11,919	48,868

The key assumptions used in the value in use calculations include projected sales growth, projected gross margins, terminal growth rate, improvements in working capital and the discount rate. These assumptions are based on historical experience and projected performance. Budget and forecast calculations cover a period of five years. A long-term growth rate is determined and applied to project future cash flows after the fifth year.

For the year ended 30 June 2023, the Group's value in use model showed the recoverable amount exceeded the carrying amount of both the Trade Distribution and Fluid Systems CGUs.

The values assigned to the key assumptions were:

Fluid Systems

- Sales growth at 5.76% for FY24, 7.00% for FY25, 7.00% for FY26, 7.00% for FY27 and 8.00% for FY28.
- Terminal growth 2.5%
- Post-tax WACC of 11.19%

Trade Distribution

- Sales growth at 10.61% for FY24, 10.36% for FY25, 9.55% for FY26, 9.61% for FY27 and 8.00% for FY28.
- Terminal growth 2.5%
- Post-tax WACC of 11.19%


nubco

17. TRADE AND OTHER PAYABLES

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

	2023 $'000	2022 $'000
Trade payables	43,276	36,920
Other trade payables and accrued expenses	9,515	12,689
Total trade and other payables	**52,791**	49,609
Current	52,217	48,875
Non-current	574	734
Total trade and other payables	**52,791**	49,609

18. INTEREST-BEARING LOANS AND BORROWINGS

	2023 $'000	2022 $'000
Current		
Borrowing facility	**37,394**	48,411
Total interest-bearing loans and borrowings	**37,394**	48,411

Non-cash investing and financing activities

There were no non-cash investing and financing activities.

Borrowing Base facility

The Group has a $55.0 million Borrowing Base facility against eligible inventory and debtors with a current expiry of July 2026 (2022: $55.0 million). The overall facility is secured by General Security Deeds with Australian and New Zealand entities as well as Rights of Entry to eligible inventory locations. The facility is subject to a floating interest on funds drawn. The facility limit is scalable for future growth.

Guarantee facility

In addition to the borrowing facilities above, the Group has a $5.0 million Standby Letter of Credit to provide security for Transactional Banking, Bank Guarantees, FX and other transactional facilities up to the limit specified in each individual guarantee.

ANZ Facilities

The Group maintains a small residual intraday facility with ANZ which will be closed upon full transition of transactional banking to the NAB.

19. PROVISIONS

	Make good	Warranties	Total
	$'000	$'000	$'000
Balance at 1 July 2022	2,531	416	2,947
Provisions increased/(decreased)	258	(59)	199
Provisions used	(87)	(73)	(160)
Balance at 30 June 2023	**2,702**	**284**	**2,986**

20. SHARE-BASED PAYMENTS

Executive and Director Incentive Plan

An Executive and Director Incentive Plan was re-approved by shareholders in 2021. The Plan governs the future granting of performance rights and issue of shares based on annual Company performance. Vesting of performance rights may vary subject to the extent performance hurdles have been met and the exercise of Board discretion. On vesting, the performance rights entitle the recipient to receive fully paid shares in the Company.

The following share-based payments existed at 30 June 2023:

	30 June 2023		30 June 2022	
	Number of performance rights	Weighted average fair value	Number of performance rights	Weighted average fair value
Outstanding at the beginning of the year	1,628,068	$1.2681	1,732,978	$0.9962
Granted	718,742	$1.2400	572,424	$1.7900
Forfeited	(718,742)	$1.2400	-	-
Exercised	(771,620)	$1.2058	(677,334)	$1.0134
Lapsed	-	-	-	-
Outstanding at the end of the year	**856,448**	**$1.3243**	1,628,068	$1.2681

Total expenses arising from share-based payment transactions recognised in employment costs during the year were $434,960 (2022: $1,002,052).

21. CAPITAL AND RESERVES

	Ordinary shares	Ordinary shares
	2023	2022
Share capital	'000	'000
On issue at 1 July	91,430	90,012
Conversion of performance rights	772	677
Dividend reinvestment plan	154	741
On issue at 30 June	**92,356**	91,430

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the functional currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Share based payments reserve

The share-based payment reserve comprises the fair value of shares and options that are yet to vest under share-based payment arrangements.

Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the consolidated statement of profit or loss as the hedged cash flows affect profit or loss.

Profit reserve

The profit reserve comprises retained profits since the reserve was first established in the 2021 financial year.

Dividends

The Board has declared a final dividend of 3.5 cents per share, fully franked, in relation to the year ended 30 June 2023. The Company's Dividend Reinvestment Plan enables eligible shareholders to reinvest their dividend in additional shares in the Company.

A final dividend of $3.2 million (3.5 cents per share, fully franked) in relation to the financial year ended 30 June 2022 was declared and paid by the Group in the financial year ended 30 June 2023 (2022: 2.7 million). Final dividend paid includes dividend reinvested of $183,300.

	Company	
	2023	2022
	'000	'000
Dividend franking account		
30 per cent franking credits available to shareholders of the Company for subsequent financial years	**8,520**	9,903

22. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Fair value disclosures

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and receivables from customers.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	2023	2022
		'000	'000
Cash and cash equivalents	9	3,859	15,319
Trade receivables	10	54,615	49,624
Total		**58,473**	64,943

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has no significant concentration of customer base.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group's terms and conditions of trade have been amended to incorporate the Personal Property Security legislation. The Group does not normally require collateral in respect of trade and other receivables.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was Australia $48,594,000 (2022: $44,403,000) and New Zealand $6,020,000 (2022: $5,220,000).

Cash at bank and short-term or long-term deposits are held with Australian and New Zealand banks with acceptable credit ratings.

Impairment of Trade Receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, days past due and historic credit loss data.

The loss allowance as at 30 June 2023 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
30 June 2023					
Australia					
Expected loss rate (%)	**0.0%**	**0.1%**	**1.3%**	**52.3%**	
Gross carrying amount ($'000) / balance outstanding as reporting date	**44,301**	**1,430**	**822**	**980**	**47,533**
Loss allowance ($'000)	**-**	**1**	**11**	**513**	**525**
New Zealand					
Expected loss rate (%)	**0.0%**	**0.1%**	**2.2%**	**87.5%**	
Gross carrying amount ($'000) / balance outstanding at reporting date	**5,755**	**136**	**122**	**80**	**6,093**
Loss allowance ($'000)	**-**	**-**	**3**	**70**	**73**
30 June 2022					
Australia					
Expected loss rate (%)	0.0%	0.1%	1.2%	47.6%	
Gross carrying amount ($'000) / balance outstanding as reporting date	40,406	1,424	586	342	42,758
Loss allowance ($'000)	-	1	7	163	171
New Zealand					
Expected loss rate (%)	0.0%	0.1%	1.9%	76.1%	
Gross carrying amount ($'000) / balance outstanding at reporting date	5,069	74	60	75	5,278
Loss allowance ($'000)	-	-	1	57	58


FRASER COAST
BOLTS
& INDUSTRIAL SUPPLIES

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains a $55 million Borrowing Base facility on which interest is payable at prevailing market rates.

Maturities of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2023

Non derivative financial liabilities	**Carrying amount**	**Contractual cash flow**	**6 mths or less**	**6-12 mths**	**1-2 years**	**More than 2 years**
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	52,791	(52,791)	(51,798)	(419)	(437)	(137)
Borrowing facility	37,394	(37,394)	(37,394)	-	-	-
Lease liability	67,530	(84,074)	(8,685)	(7,997)	(14,520)	(52,872)
Total	**157,715**	**(174,259)**	**(97,877)**	**(8,416)**	**(14,957)**	**(53,009)**

The outflows associated with forward contracts used for hedging are US$11.0 million (A$16.6 million), 2022: US$5.7 million (A$7.9 million) and will have been made within 11 months or less

2022

Non derivative financial liabilities	**Carrying amount**	**Contractual cash flow**	**6 mths or less**	**6-12 mths**	**1-2 years**	**More than 2 years**
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	49,609	(49,609)	(48,604)	(271)	(423)	(311)
Borrowing facility	48,411	(48,411)	(48,411)	-	-	-
Lease liability	56,067	(71,702)	(7,640)	(6,668)	(11,986)	(45,408)
Total	154,087	(169,722)	(104,655)	(6,939)	(12,409)	(45,719)

Changes in liabilities arising from financing activities

	Borrowings	Lease liabilities	Total liabilities from financing activities
	$'000	$'000	$'000
30 June 2023[1]			
Opening balance at the beginning of the financial year	48,411	56,067	104,478
Proceeds	940,570	-	940,570
Repayments	(951,485)	(13,131)	(964,616)
New leases, reassessments and disposals	-	24,466	24,466
Effects of movement in foreign exchange	(102)	127	25
Closing balance	**37,394**	**67,529**	**104,923**
30 June 2022[1]			
Opening balance at the beginning of the financial year	24,500	53,994	78,494
Proceeds	492,556	-	492,556
Repayments	(468,645)	(11,107)	(479,752)
New leases, reassessments and disposals	-	12,153	12,153
Assumed in business combinations (note 3)	-	1,027	1,027
Closing balance	48,411	56,067	104,478

[1] Repayments are presented net of interest expense

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The currencies giving rise to this risk are primarily US dollars and Euros. The Group adopts a policy of obtaining, foreign currency forward contracts to hedge its exposure to USD foreign currency risks.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group defines capital as cash, banking facilities and equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow exposures.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2023	**2022**
	$'000	$'000
Variable rate financial assets	3,859	15,319
Borrowing facility	(37,394)	(48,411)
Total	**(33,535)**	(33,092)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any material fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

23. LEASES

Leases as lessee

	2023	**2022**
Non-cancellable short-term or low value leases are payable as follows:	$'000	$'000
Less than one year	7	73
Between one and five years	-	-
More than five years	-	-
Total	**7**	73

The Group leases various premises, plant and equipment and motor vehicles under short-term or low value leases. The leases run for 12 months or less or are of low value. Lease payments are reviewed periodically to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2023 the Group recognised $409,000 (2022: $313,000) as an expense in the consolidated statement of profit or loss in respect of short-term or low value leases.

Leases as lessor

At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as follows:

	2023	2022
	$'000	$'000
Less than one year	1,278	934
Between one and five years	2,336	1,838
More than five years	-	200
Total	**3,614**	2,972

During the financial year ended 30 June 2023, the Group recognised $1,066,000 (2022: 1,058,000) as income in the consolidated statement of profit or loss.

24. CONTROLLED ENTITIES

	Country of Incorporation	Ownership interest	
		2023	2022
	%	%	%
COV Holdings (Aust) Pty Ltd	Australia	100	100
Coventry Group (NZ) Limited	New Zealand	100	100
COV Holdings (NZ) Pty Ltd (i)	New Zealand	100	100
Nubco Proprietary Limited	Australia	100	100

The ultimate parent entity is Coventry Group Ltd.

(i) The company is a 100% controlled entity of COV Holdings (Aust) Pty Ltd and operates in New Zealand.

Deed of Cross Guarantee

The Company is party to a deed of cross-guarantee with its subsidiary entities. All entities listed in the table above are parties to the deed under which each company guarantees the debts of the others. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Nubco Proprietary Limited is relieved from the Corporations Act requirements to prepare a financial report and Directors' report.

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2023	2022
Cash flows from operating activities		$'000	$'000
Profit for the period		**2,472**	4,841
Adjustments for:			
Equity-settled share-based payments		435	916
Depreciation and amortisation		16,385	14,142
Other non-cash or non-operating exceptional items		(67)	512
Interest income from other entities		(294)	(269)
Interest expense	6	6,507	5,200
Net gain on disposal of property, plant and equipment		-	31
Income tax expense	7	1,251	2,501
Operating profit before changes in working capital and provisions		**26,689**	27,874
Change in trade and other receivables		(5,962)	(3,972)
Change in inventories		1,364	(8,450)
Change in trade and other payables		3,182	(150)
Change in provisions and employee benefits		587	532
Operating profit after changes in working capital and provisions		**25,860**	15,834
Interest paid		(6,315)	(5,010)
Income taxes paid		(457)	(186)
Net cash from operating activities		**19,088**	10,638

26. RELATED PARTIES

Transactions with key management personnel	2023	2022
Key management personnel compensation comprised the following:	$'000	$'000
Short-term employee benefits	1,433,579	1,363,330
Post-employment benefits	92,749	82,867
Other long-term benefits	163,674	162,083
Share-based payments	197,632	455,129
Total	**1,887,634**	2,063,409

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Key management personnel transactions

From time to time, key management personnel may purchase goods from companies within the Group on the same terms as apply to other employees of the Group. The value of these transactions is insignificant.

Transactions with other related parties

The Group has a related party relationship with its controlled entities (see Note 24). Transactions between the parent entity and its controlled entities are eliminated on consolidation and are not disclosed.

27. SIGNIFICANT ITEMS

The following significant costs were incurred in the year ended 30 June 2023.

Borrowing costs were incurred in the current financial year relating to refinancing activities during the year.

	2023	**2022**
Significant items	$'000	$'000
ERP implementation costs	5,492	-
Restructuring costs	68	-
Software-as-a-Service costs	-	437
Acquisition costs on transactions not completed	-	917
Acquisition costs on completed transactions	601	50
Other	238	745
Total	**6,399**	2,149

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Board has declared a final dividend of 3.5 cents per share, fully franked, in relation to the year ended 30 June 2023.

On 16 August 2023 the Company announced an on-market buy-back of a maximum of 9,235,587 ordinary fully paid shares (up to 10% of issued capital) in the Company from the period 4 September 2023 to 4 September 2024.

Other than the matters outlined elsewhere in the Group's financial statements, no other 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 of the Group in subsequent accounting periods.


KONNECT
RIDGID
DeWALT
Bostik
CRC
flexOvit
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STANLEY

Coventry Group Ltd and its controlled entities

DIRECTORS' REPORT

For the year ended 30 June 2023

The Directors present their report together with the consolidated financial report of the Group comprising Coventry Group Ltd (the "Company") and its controlled entities for the year ended 30 June 2023.

CONTENTS OF DIRECTORS' REPORT

1. DIRECTORS

Information on Directors

The Directors of the Company at any time during or since the end of the financial year and up to the date of this report are:

NEIL GEORGE CATHIE

FCPA, GAICD, FCIS

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Chairman of Remuneration Committee
Member of Audit and Risk Committee

Mr Cathie was appointed as a Director of the Company in September 2014 and as Chairman in January 2015. He has extensive experience in very relevant areas including having a 27 year career at Australia's largest and most successful plumbing and bathroom distributor, ASX listed Reece Limited, during which time he served as its Chief Financial Officer, Company Secretary and General Manager, Finance and IT.

Mr Cathie is a Non-Executive Director of Experience Co. Limited (since 2019) and was a Non-Executive Director of Millennium Services Group Limited from 16 October 2018 to 7 March 2019. He is also an independent advisor and Chair at Middendorp Electric and Non-Executive Director at Bowens Timber & Hardware.

Other than those listed above, he held no other listed company directorships during the past three financial years.

ANDREW WILLIAM NISBET

GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Member of Audit and Risk Committee
Member of Remuneration Committee

Mr Nisbet was appointed as a Director of the Company in October 2017.

During his extensive career at ASX listed Reece Limited he held a variety of senior leadership roles, from Marketing to Merchandising, IT, Supply Chain Transformation, Innovation and the management of a number of Strategic Business Units, including the Reece expansion into New Zealand.

Mr Nisbet is a graduate of the Australian Institute of Company Directors. he continues to consult to businesses on strategy and works with SME's in setting up their advisory boards.

He held no other listed company directorships during the past three financial years.

JAMES SCOTT CHARLES TODD

B.Comm, LLB, FFin, MAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman of Audit and Risk Committee
Member of Remuneration Committee

Mr Todd was appointed as a Director of the Company on 3 September 2018.

Mr Todd is an experienced company director, corporate adviser and investor.
He commenced his career in investment banking, and has taken active roles with, and invested in, a range of public and private companies. He was until recently Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.

He is also a Non-Executive Director of three other ASX listed companies; IVE Group Limited (since June 2015), and Bapcor Limited (since September 2020), and was a Non-Executive Director of HRL Holdings Limited between March 2018 and August 2022.

Other than those listed above, he held no other listed company directorships during the past three financial years.

ROBERT JAMES BULLUSS

FCPA, GAICD, B Bus (Acc)

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Bulluss was appointed Chief Executive Officer on 3 May 2017 and Managing Director and Chief Executive Officer on 29 August 2017. He was previously Chief Financial Officer (CFO) of the Company from October 2016 to April 2017. Prior to joining the Company he was CFO for over 15 years for the Australasian division of Bunzl plc.

He held no other listed company directorships during the past three financial years

TONY HOWARTH AO

FAICD (Life), SF FIN (Life)

NON-EXECUTIVE DIRECTOR

Member of Audit and Risk Committee
Member of Remuneration Committee

Mr Howarth was appointed as a Director of the Company on 4 May 2020.

Mr Howarth has a strong background in the banking and finance industry having held executive positions in government, regional and major banks as well as building societies and stockbroking companies. He has broad based industry experience from his time as President of the Australian Chamber of Commerce and Industry and Australian International Chamber of Commerce, as well as Chair of Catholic Health Australia. He has had a long involvement with the University of Western Australia and is an Adjunct Professor at the UWA Business School.

He is also the Chairman of Alinta Energy, BWP Management Ltd and St John of God Foundation Inc, as well as a Non-Executive Director at Viburnum Funds.

Mr Howarth was a Non-Executive Director of Wesfarmers Ltd from 2007 to 2019 and Chairman of MMA Offshore Ltd from 2006 to 2017. Previously he had been Chairman of Home Building Society and Deputy Chairman of Bank of Queensland Ltd. He has held no other listed company directorships during the past three financial years.

ALEX WHITE

B.Bus (EconFin)

NON-EXECUTIVE DIRECTOR

Member of Audit and Risk Committee
Member of Remuneration Committee

Mr White was appointed as a Director of the Company on 1 March 2022.

Mr White is a Director of Richmond Hill Capital ("RH Capital") and is jointly responsible for managing its RH High Conviction Fund.

Mr White has over fifteen years of corporate and investment management experience and prior to co-founding RH Capital, he was jointly responsible for the portfolio management of the VF High Conviction Fund at Viburnum Funds for six years.

Mr White joined Viburnum following over three years with Cooper Investors, a privately owned specialist investment manager, where he focused on investment research for CI Australian Equities Fund and CI Brunswick Fund. He previously gained industry experience working for Fletcher Building as a Strategy Analyst and as a Credit Analyst for ratings agency Standard and Poor's.

Mr White was previously a Director of the following ASX listed companies:

- MOQ Digital Limited (from June 2019 to November 2022)
- HRL Holdings (from March 2021 to August 2022)

DIRECTORS' INTERESTS

As at the date of this report particulars of the relevant interest of each Director in the securities of the Company are as follows:

	Number of Ordinary Shares
NG Cathie	983,000
RJ Bulluss	901,918
AW Nisbet	139,144
JSC Todd	122,470
A White #	31,241
T Howarth #	-

Mr Howarth and Mr White have declared their indirect interests in the shares of the Company as being shareholders of Viburnum Funds Pty Ltd, Richmond Hill Capital Pty Ltd and Rat Pack Adventures Pty Ltd respectively, who are major shareholders of the Company.

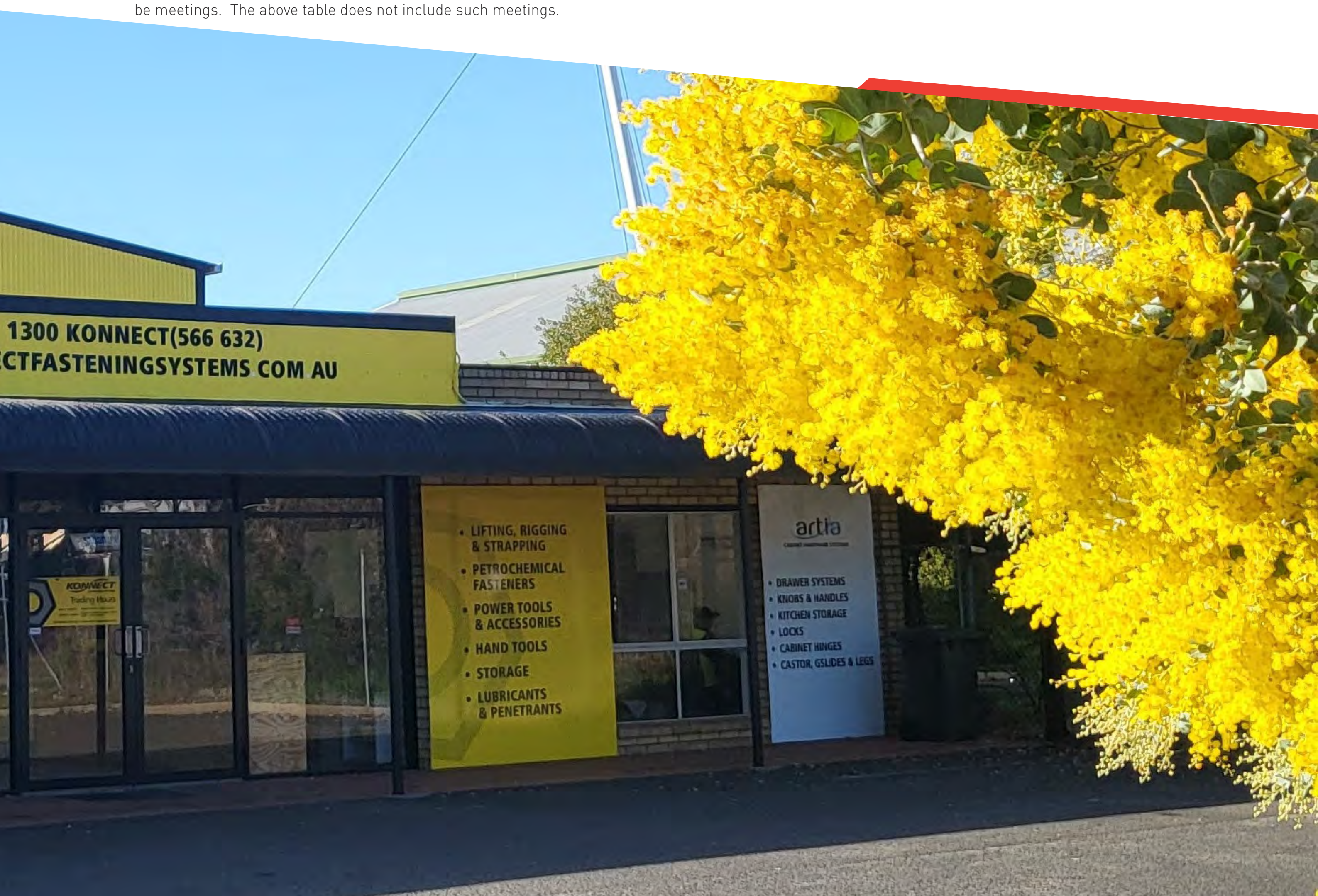
During the 2022/23 financial year and as at the date of this report no Director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the *Corporations Act 2001*.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's Board of Directors and each Board Committee, held during the year ended 30 June 2023, and the number of meetings attended by each Director.

	NG Cathie	RJ Bulluss	AW Nisbet	JSC Todd	T Howarth	A White
Board of Directors						
Held	11	11	11	11	11	11
Eligible to attend	11	11	11	11	11	11
Attended	11	11	11	10	10	10
Audit & Risk Committee						
Held	3	3	3	3	3	3
Eligible to attend	3	0	3	3	3	2
Attended	3	3	3	3	3	3
Remuneration Committee						
Held	2	2	2	2	2	2
Eligible to attend	2	0	2	2	2	2
Attended	2	0	2	2	2	2

Note: Directors may pass resolutions in writing without a formal meeting being convened. Such resolutions are deemed by the Company's Constitution to be meetings. The above table does not include such meetings.



2. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

Trade Distribution

- The importation, distribution and marketing of industrial fasteners, stainless steel fasteners, construction fasteners, specialised fastener products and systems, industrial hardware and associated industrial tools and consumables
- Importation, distribution and marketing of hardware, components and finished products to the commercial cabinet making, joinery and shop fitting industries
- Temporary fencing sales and hire and scaffolding plank hire.

Fluid Systems

- design and installation of lubrication systems
- distribution of hose, connectors, fittings and hydraulic hose assemblies
- design and supply of service truck components
- installation of fire suppression systems
- design and distribution of fluid handling systems, pneumatic component sales and sale of hydraulic associated products and consumables
- rock hammer service and repair.

3. CONSOLIDATED RESULTS

Results of the Group were as follows:

	2023	2022
	$'000	$'000
Revenue from sale of goods	358,543	322,324
Profit before tax	3,723	7,342
Income tax expense	(1,251)	(2,501)
Profit after tax for the year	**2,472**	4,841

4. DIVIDENDS

The Board has declared a final dividend of 3.5 cents per share, fully franked, in relation to the year ended 30 June 2023.

5. REVIEW OF OPERATIONS AND RESULTS

People

The Group prioritises the Health, Safety and Well-being of our people along with our customers, suppliers and communities. We aspire to zero LTI's and zero harm to our people. During FY23 we had 10 Lost Time Injuries (LTI's) across all of our business units. All incidents and serious near misses are reviewed by our safety team and the Coventry Leadership Team (CLT) to ensure we share lessons and improve safety systems.

During FY23 we refined our values to Safety First, Doing the Right Thing (Fairness, Integrity, Respect), Working as a Team and Being the Best at Everything we do. We remain focused on doing the right thing in all our interactions with our people, customers, suppliers and communities.

Financial performance

The Group achieved sales growth for FY23 of 11.2% to $358.5m ($322.3m FY22) and a 9.7% increase in Underlying EBITDA[1] to $17.0m ($15.5m FY22). Group Underlying EBIT[1] for FY23 was $13.4m ($12.4m FY22) and Net Profit after Tax for the year was $2.5m ($4.8m FY22). The reduction in Net Profit after Tax was due principally to costs in relation to the ERP upgrade of $5.5m.

The Group has a solid balance sheet with Net Assets of $113.0m and Net Tangible Assets of $36.8m at 30 June 2023. At 30 June 2023 the Group had net debt of $33.5m ($33.1m FY22). Cash Conversion for the year was 112.5%.

	FY23 $M	FY22 $M	% change
Revenue from sale of goods	**358.5**	322.3	+11.2
Underlying EBIT[2]	**13.4**	12.4	+8.1
Underlying EBITDA[2]	**17.0**	15.5	+9.7
Net Profit after tax	**2.5**	4.8	-48.9
Net debt	**33.5**	33.1	
Net tangible assets	**36.8**	36.1	+1.9

[1] Underlying EBITDA and Underlying EBIT are non-IFRS measures and reflect how management measure performance of the Group. Non-IFRS measures have not been subjected to audit.

[2] Underlying EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude leases and significant items. Underlying EBIT is earnings before interest and tax and has been adjusted to exclude leases and significant items.

Review of businesses

Trade Distribution (TD)

Our Trade Distribution (TD) segment has expanded to a network of 65 branches across Australia and New Zealand supported by 3 Distribution Centres. It comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ) and Nubco in Tasmania.

TD supplies a range of fastening systems, cabinet hardware systems, industrial and construction products to customers in the Industrial, Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources/Oil and Gas and Agriculture and Aquaculture sectors.

TD sales for the year of $210.1m up 8.8% on FY22.
TD Underlying EBITDA[1] of $17.0m up 5.4% on FY22.

Konnect and Artia Australia (KAA)

KAA is one of Australia's leading fastener specialists and supplier of cabinet hardware.

KAA delivered sales growth and Underlying EBITDA[1] growth on the prior year up 10.3% and 13.4% respectively. To achieve the result KAA improved their value proposition, service levels and reputation in the marketplace. The store network was upgraded with store makeovers completed in Hobart, Lismore and Toowoomba and branch relocations to larger facilities in better locations completed in Geelong, Artarmon and Wollongong.

Konnect and Artia New Zealand (KANZ)

KANZ is New Zealand's leading fastener specialist and supplier of cabinet hardware and temporary fencing.

KANZ delivered sales growth and Underlying EBITDA[1] growth on the prior year up 19.0% and 35.2% respectively. During the year we consolidated two of our Auckland branches into a larger location with an expanded showroom. Auckland is now serviced by branches in Albany, East Tamaki and Silverdale.

The opening of a new branch in Palmerston North early in FY24 has taken our branch footprint to 18. We also relocated our Albany branch to a larger facility and refurbished our Dunedin branch.

Nubco

Nubco is a specialist supplier of steel, reinforcing, fasteners, construction products, power tools, hand tools, PPE and consumables in Tasmania.

Nubco sales slowed in FY23 after two very strong years of growth. Deflation on steel products and a decline in discretionary spend impacted the result. The Tasmanian building and construction, infrastructure and agriculture markets are performing well so we are confident we can continue to grow in this market.

Fluid Systems

Fluid Systems (FS) is an innovative specialist service provider to the mining, agriculture, defence, construction, manufacturing and allied industries. FS specialises in hydraulic, lubrication, fluid transfer, refuelling, fire suppression, automation systems and products. FS has the capability to design, manufacture, install, maintain and supply full turn-key solutions and components. FS operates 15 branches across Australia.

FS had an excellent year growing both Sales and Underlying EBITDA[1] despite a continuing backdrop of labour and skills shortages and input costs escalation.

FS sales for the year of $148.1m up 14.1% on FY22.
FS Underlying EBITDA[1] of $15.3m up 19.0% on FY22.

6. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share for the year ended 30 June 2023 was 2.7 cents and 2.7 cents respectively. This compares to a basic earnings per share and diluted earnings per share for the previous year of 5.3 cents and 5.2 cents respectively.

7. SIGNIFICANT CHANGE IN THE COMPANY'S AFFAIRS

In the opinion of the Directors, there have been no other significant changes in the Group's state of affairs during the financial year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

The Board has declared a final dividend of 3.5 cents per share, fully franked, in relation to the year ended 30 June 2023.

Other than the matters outlined elsewhere in the Groups financial statements, no other 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 of the Group in subsequent accounting periods.

9. LIKELY DEVELOPMENTS

The Group will continue to implement its five-year strategy and continue to operate in the markets in which it currently participates.

10. REMUNERATION REPORT - AUDITED

Remuneration is referred to as compensation throughout this Remuneration Report.

10.1 Key Management Personnel (KMPs)

KMPs are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. The following were KMPs of the Group at any time during the reporting period and unless otherwise indicated were KMPs for the entire period:

Directors	*Other Key Management Personnel*
NG Cathie	RJ Jackson
RJ Bulluss (CEO and Managing Director)	
AW Nisbet	
JSC Todd	
T Howarth	
A White	

10.2 Principles used to determine the nature and amount of compensation

Non-Executive Directors

Non-Executive Directors receive cash fees for their Board and Committee work. They are eligible to participate in the Executive and Director Incentive Plan which was re-approved by shareholders at the Annual General Meeting of the Company in October 2020.

Non-Executive Directors' cash fees are determined within an aggregate Directors' fees pool limit, which is periodically recommended for approval by shareholders. The total pool currently stands at $550,000 (2022: $550,000) per annum, and was last approved by shareholders in November 2004 with effect from 1 July 2004. The Board determines the allocation of the maximum amount approved by shareholders amongst the respective Directors, having regard to their duties and responsibilities. Directors' fees are not directly linked to Company performance. Non-Executive Directors do not receive termination benefits. There is no provision for retirement allowances to be paid to Non-Executive Directors.

As at 30 June 2023 the Non-Executive Directors' fees were allocated as follows (includes statutory superannuation contributions):

	2023 $	2022 $
Chairman (inclusive of Board and Committee work)	**130,000**	130,000
Chair of Audit and Risk Committee (inclusive of Board and Committee work)	**85,000**	85,000
Non-Executive Directors (inclusive of Board and Committee work)	**80,000**	80,000

10.2 Principles used to determine the nature and amount of compensation (continued)

Executive Pay

Remuneration policies

Remuneration of Directors and senior executives is the responsibility of the Remuneration Committee. The Committee has resolved to set remuneration packages which are appropriate in the context of the company's size, complexity and performance but which will attract the calibre of executive required to drive necessary change in order to enhance performance. The Committee seeks external advice in relation to these matters where necessary.

Remuneration for the CEO and senior executives currently comprises three elements:

1. Fixed, cash-based remuneration which includes salary, superannuation and benefits
2. Eligibility to participate in the Company's short-term incentive plan (STI Plan)
3. Eligibility to participate in the Company's long-term share based Executive and Director Incentive Plan (LTI Plan)

The CEO and senior executives have employment contracts with notice periods executable by either party. There are no arrangements in place to provide the CEO or any senior executive with a retirement benefit other than those which accrue by law. Superannuation contributions are paid at the superannuation guarantee rate.

Cash incentives under the STI Plan of up to 65% of fixed annual compensation are payable to the CEO and senior executives based on financial and non-financial measures framed around the Company's trading performance and each individual's performance.

The LTI Plan was re-approved by shareholders at the 2020 annual general meeting. This share-based plan provides for the granting or issuing of performance rights in accordance with its terms and subject to the terms and performance hurdles set by the Board.

Business Performance

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee have regard to the following financial performance metrics in respect of the current financial year and the previous four financial years.

	2023	**2022**	**2021**	**2020**	**2019**
	$'000	$'000	$'000	$'000	$'000
Sales revenue	**358,543**	322,324	288,522	247,567	202,346
Underlying EBITDA [i]	**17,005**	15,505	13,357	6,637	2,811
Underlying EBIT	**13,377**	12,355	10.561	4,026	1,145
NPAT	**2,472**	4,841	7,246	(455)	(1,426)
Dividends paid	**3,227**	2,721	-	-	-
Share price at year end ($)	**1.15**	1.33	1.45	0.57	0.91

(i) Underlying EBITDA is the key financial performance target considered in setting the Short-Term Incentive (STI).

Where applicable, comparative information has been restated for the effects of the application of new accounting standards.


KONNECT
FASTENING SYSTEMS

10.2 Principles used to determine the nature and amount of compensation (continued)

Performance Rights (PR's)

PR's Key Inputs

	FY20 Performance Period	FY21 Performance Period	FY22 Performance Period	FY23 Performance Period
Measurement date 10-day VWAP (iii)	$0.8482	$0.6021	$1.4210	$1.2165
No. of PR's granted	1,164,237	1,424,504 (iv)	572,424 (iv)	718,742 (iv)
Grant date	25.10.2019	29.10.2020	22.10.2021	21.10.2022
Share price at Grant Date	$1.30	$0.95	$1.79	$1.24
Vesting date (1) (i)	01.09.2020	01.09.2021	01.09.2022	01.9.2023
Vesting date (2) (i)	N/A	01.09.2022	01.09.2023 (ii)	01.9.2024
Vesting date (3) (i)	N/A	01.09.2023 (ii)	01.09.2024 (ii)	01.9.2025
% of PR's vested - Vesting date (1)	33.3%	33.3%	33.3%	0.0%
% of PR's vested – Vesting date (2)	0.0%	33.3%	N/A	0.0%
% of PR's vested – Vesting date (3)	0.0%	N/A	N/A	0.0%
No. of eligible PR's vested - Vesting date (1)	317,919	474,835	190,809	-
No. of eligible PR's vested – Vesting date (2)	-	474,836	N/A	-
No. of eligible PR's vested – Vesting date (3)	-	N/A	N/A	-
No. of PR's lapsed & forfeited	846,318	-	-	718,742
No. of eligible PR's exercised up to 30 June 2023	317,919	949,671	190,809	-
No. of PR's remaining to be vested and/or exercised subject to service conditions	-	474,833	381,615	-

Share-based payments recognised as an expense in the financial statements of the Company.

	FY20	FY21	FY22	FY23
No. of performance rights issued	1,164,237	1,424,504	572,424	718,742
No. of eligible performance Rights vested (iv)	317,919	949,671	190,809	-
Share price at Grant Date	$1.30	$0.95	$1.79	$1.24
Share-based payments expense (v)	$413,295	$826,989	$1,002,052	$434,960

(i) Subject to service conditions.

(ii) Vesting determination not yet made.

(iii) Used to calculate grant of Performance Rights.

(iv) Performance rights granted in relation to FY22 and FY23 will vest in accordance with performance and employment conditions and in three separate annual vesting events. Consequently, the share-based payments expense for FY21 and FY22 is recognised based on graded vesting and the probability that 100% of participants will receive 100% of their grant over a three-year period

(v) Share-based payment expense 'true up' in FY21 ($618,921) presented as a one-off non-cash significant item in that period.

Performance Rights Commentary

In FY23, one third of the performance rights that were vested to the CEO and Managing Director (R Bulluss) in relation to the FY20 performance period, one third in relation to the FY21 performance period and one third in relation to the FY22 performance period, were exercised. One third of the performance rights that were vested to six other Company senior executives in relation to the FY20 performance period, one third in relation to the FY21 performance period and one third in relation to the FY22 performance period were also exercised in FY23.

In relation to FY23, the CEO and Managing Director (R Bulluss) was granted 205,508 performance rights under the terms of the LTI Plan following the successful passing of a resolution at the 2022 Annual General Meeting of the Company. These performance rights had a performance period that ended on 30 June 2023 with performance and employment conditions set by the Board. The Board has determined that the FY23 performance rights will be forfeited.

In relation to FY23, an offer to participate in the LTI Plan was made to a number of other Company senior executives. The total performance rights granted was 513,234. These Performance Rights had a performance period that ended on 30 June 2023 with performance and employment conditions set by the Board. The Board has determined that the FY23 performance rights will be forfeited.

It is intended that the CEO and Managing Director will participate in the LTI Plan in relation to FY24. The maximum face value of the CEO's FY23 grant is based on an LTI opportunity of 50% of his fixed annual remuneration. The number of performance rights to be granted is determined by dividing the maximum face value by the 10-day volume weighted average price (VWAP) of the Company's shares preceding the start of the performance period, being the 10 trading days up to and including 30 June 2023.

The performance rights will vest at the Board's discretion, taking into consideration Underlying EBITDA year on year growth. An appropriate resolution will be put to the 2023 Annual General Meeting of the Company.

It is intended that a number of senior executives will participate in the LTI Plan in relation to FY24. The maximum face value of each senior executive's FY24 grant is based on an LTI opportunity of 25% to 40% of his or her fixed annual remuneration. The number of performance rights to be granted is determined by dividing the maximum face value by the 10-day volume weighted average price (VWAP) of the Company's shares preceding the start of the performance period, being the 10 trading days up to and including 30 June 2023. The performance rights will vest in the same manner as outlined for the CEO and Managing Director.

10.3 Details of compensation

The following table provides the details, nature and amount of elements of compensation for the key management personnel of the Company and the Group for the year ended 30 June 2023.

		Short-term				Post-employment				Proportion of remuneration performance related
		Cash salary, leave entitlement and fees	STI cash bonus	Non-monetary benefits	Short term total	Super-annuation (i)	Long-service & annual leave provision accrual	Share-based payment	Total	
		$	$	$	$	$	$	$	$	
Directors										
NG Cathie - Chairman	**2023**	**117,647**			**117,647**	**12,353**	-		**130,000**	-
	2022	118,182	-	-	118,182	11,818	-	-	130,000	-
RJ Bulluss	**2023**	**474,196**	**124,560**		**598,756**	**25,292**	**85,562**	**125,525**	**835,135**	**29.95%**
	2022	440,934	134,300	-	575,234	23,568	89,302	289,418	977,523	43.35%
AW Nisbet	**2023**	**72,398**	**-**	**-**	**72,398**	**7,602**	**-**	**-**	**80,000**	**-**
	2022	72,727	-	-	72,727	7,273	-	-	80,000	-
JSC Todd	**2023**	**76,923**	**-**	**-**	**76,923**	**8,077**	**-**	**-**	**85,000**	**-**
	2022	77,273	-	-	77,273	7,727	-	-	85,000	-
T Howarth	**2023**	**72,398**	**-**	**-**	**72,398**	**7,602**	**-**	**-**	**80,000**	**-**
	2022	72,727	-	-	72,727	7,273	-	-	80,000	-
A White	**2023**	**62,196**	**-**	**-**	**62,196**	**6,531**	**-**	**-**	**68,727**	**-**
	2022	17,260	-	-	17,260	1,640	-	-	18,900	-
Total Directors' remuneration	**2023**	**875,758**	**124,560**	**-**	**1,000,318**	**67,457**	**85,562**	**125,525**	**1,278,862**	**-**
	2022	799,103	134,300	-	933,403	59,299	89,302	289,418	1,371,423	-
Other Key Management Personnel										
RJ Jackson	**2023**	**338,643**	**94,618**		**433,261**	**25,292**	**78,112**	**72,107**	**608,772**	**27.39%**
	2022	322,470	107,457	-	429,927	23,568	72,781	165,711	691,986	39.48%
Total other key management personnel remuneration	**2023**	**338,643**	**94,618**		**433,261**	**25,292**	**78,112**	**72,107**	**608,772**	**-**
	2022	322,470	107,457	-	429,927	23,568	72,781	165,711	691,986	-
Total Directors' and other key management personnel remuneration	**2023**	**1,214,401**	**219,178**		**1,433,579**	**92,749**	**163,674**	**197,632**	**1,887,634**	**-**
	2022	1,121,574	241,757	-	1,363,330	82,867	162,083	455,129	2,063,409	-

Premiums in respect of the Directors' and Officers' insurance policy are not included above, as the policy does not specify the premium paid in respect of individual Directors and officers.

(i) Includes statutory superannuation contributions and additional voluntary contributions.

10.4 Service contracts

Compensation and other terms of employment for the CEO and Managing Director and other key management personnel are formalised in employment contracts. Major provisions of the contracts relating to compensation are set out below:

Robert Bulluss, CEO and Managing Director

- The contract has no fixed term.
- Fixed annual compensation to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- The contract provides for participation in short-term and long-term incentive plans.
- Other than for an act that may have a serious detrimental effect on the Company, such as wilful disobedience, fraud or misconduct, termination of employment requires six months' notice by the Company.

Rodney Jackson, Chief Financial Officer

- The contract has no fixed term.
- Fixed annual compensation to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- The contract provides for participation in short-term and long-term incentive plans.
- Other than for an act that may have a serious detrimental effect on the Company, such as wilful disobedience, fraud or misconduct, termination of employment requires eighteen weeks' notice by the Company.

10.5 Director share movement

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 30 June 2022	Purchases (includes DRP allotments)	Conversion of Performance Rights	Sales / Cancelled	Held at Resignation / Retirement	Held at 30 June 2023
Directors						
NG Cathie	**850,000**	133,000	-	-	-	983,000
AW Nisbet	**135,269**	3,875	-	-	-	139,144
RJ Bulluss	**658,056**	16,833	227,029	-	-	901,918
JSC Todd	**118,977**	3,493	-	-	-	122,470
T Howarth#	**-**	-	-	-	-	-
A White#	**31,241**	-	-	-	-	31,241
Key Management Personnel						
RJ Jackson	**247,729**	7,274	124,554	-	-	379,557

Mr Howarth and Mr White have declared their indirect interests in the shares of the Company as being shareholders of Viburnum Funds Pty Ltd, Richmond Hill Capital Pty Ltd and Rat Pack Adventures Pty Ltd respectively, who are major shareholders of the Company.

End of Remuneration Report.

11. ENVIRONMENTAL REGULATION

The Group is not subject to any specific environmental regulation.

The Group mainly operates from warehousing and distribution facilities throughout Australia and New Zealand which have general obligations under environmental legislation of the respective statutory authorities in relation to pollution prevention.

The Company has reviewed its obligations under the National Greenhouse & Energy Reporting Act 2007 (the Act). As the Group is under the minimum greenhouse and energy thresholds stipulated in the Act, there are no registration and reporting requirements that have to be complied with as at the date of this report.

For the financial year ended 30 June 2023 and as at the date of this report, the Group has not been prosecuted nor incurred any infringement penalty for environmental incidents.

12. INSURANCE OF OFFICERS

During the financial year the Company has paid premiums in respect of contracts insuring the Directors and officers of the Company against certain liabilities incurred in those capacities. The contracts prohibit further disclosure of the nature of the liabilities and the amounts of the premiums.

13. CORPORATE GOVERNANCE

The Statement of Corporate Governance Practices is disclosed on the Company's website.

14. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Company's Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 4 to the full financial report.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 forms part of this Directors' report.

16. COMPANY SECRETARY

Mr Mark Licciardo is the founder of Mertons Corporate Services, now part of Acclime Australia and is the Company Secretary.

17. ROUNDING OFF

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, 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.

N.G. CATHIE
Chairman

Melbourne
25 August 2023

R.J. BULLUSS
CEO and Managing Director

Melbourne
25 August 2023

DIRECTORS' DECLARATION

1. IN THE OPINION OF THE DIRECTORS OF COVENTRY GROUP LTD ("THE GROUP"):

a) the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 56 to 71, are in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of their performance, for the financial year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a) of the full financial report;

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

2. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

N.G. CATHIE
Chairman

Melbourne
25 August 2023

R.J. BULLUSS
CEO and Managing Director

Melbourne
25 August 2023

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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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 audit of Coventry Group Ltd for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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Simon Dubois

Partner

Melbourne

25 August 2023

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the shareholders of Coventry Group Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Coventry Group Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Coventry Group Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of goodwill ($37.0 million) and indefinite life intangible assets ($11.9 million)	
Refer to Note 15 and Note 16 to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The carrying value of goodwill and other indefinite life intangible assets is considered with reference to the Group's analysis of future cash flows for the respective Cash Generating Units (CGUs) or individual assets (as applicable). The recoverability of these assets is a key audit matter due to the inherent complexity associated with auditing the forward looking assumptions incorporated in the Group's "value in use" (VIU) models and estimation uncertainties associated with ongoing macroeconomic conditions and inflationary pressures. The Group's VIU models are internally developed and use a range of internal and external data as inputs. Forward looking assumptions may be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, over key assumptions including forecast cash flows, forecast growth rates over the forecast period and discount rates. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • assessing the Group's VIU models and key assumptions by: - evaluating the appropriateness of the CGU designation and VIU method applied by the Group against accounting standard requirements; - assessing the integrity of the models used, including the accuracy of the underlying calculation formulas; - comparing significant inputs into the relevant cash flow forecasts to the Group's approved budgets; - assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models, including assessing the impact of business changes; - using our knowledge of the Group, its past performance, and our industry knowledge to challenge and assess key assumptions including forecast cash flows, forecast growth rates over the forecast period and discount rates; and - working with our valuation specialists, we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the Group. • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or

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	inconsistency in application. We also assessed the related impairment breakeven points for these assumptions in order to identify those assets at higher risk of impairment and to focus our further procedures; and • assessing the disclosures in the financial report using our understanding of the recoverability assessment obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Coventry Group Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf . This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Coventry Group Ltd for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 62 to 69 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Simon Dubois

Partner

Melbourne

25 August 2023

Coventry Group Ltd

SHAREHOLDER INFORMATION

As at 24 August 2023

		Ordinary Shares	
		Number	**% of Total**
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,169,307	28.34
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,122,002	16.37
3	NATIONAL NOMINEES LIMITED	12,411,187	13.44
4	PALM BEACH NOMINEES PTY LIMITED	9,874,432	10.69
5	CITICORP NOMINEES PTY LIMITED	2,223,666	2.41
6	DORSETT INVESTMENTS PTY LTD	1,382,586	1.50
7	DIXSON TRUST PTY LIMITED	1,201,400	1.30
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	932,316	1.01
9	MR ROBERT BULLUSS	901,918	0.98
10	BNP PARIBAS NOMS (NZ) LTD <DRP>	823,291	0.89
11	ROMNEY LODGE PTY LTD	632,535	0.68
12	DIXSON TRUST PTY LIMITED <NO 1 A/C>	605,015	0.66
13	MRS ANNE KYLE	582,793	0.63
14	MR GEOFFREY KYLE	480,000	0.52
15	ARUMA BEACH PTY LTD	400,000	0.43
15	TPSC SMIRK PTY LTD	400,000	0.43
17	MR RODNEY JAMES JACKSON	379,557	0.41
18	ABTOURK (SYD NO 415) PTY LTD <MICHAEL JOHN COLE PSF A/C>	305,733	0.33
19	MR LIONEL MCFADYEN + MRS JENNIFER MCFADYEN + MS SKYE MCFADYEN <MCFADYEN SUPER FUND A/C>	282,254	0.31
20	MR BRUCE NEIL CARTER	235,227	0.25
	Total	**75,345,219**	**81.58**

DISTRIBUTION OF SHAREHOLDING

	Number of holders	%	Number of shares	%
Size of holding				
1 – 1,000	413		233,577	0.25
1,001 - 5,000	627		1,596,349	1.73
5,001 - 10,000	209		1,564,799	1.69
10,001 - 100,000	283		8,973,352	9.72
100,001 Over	51		79,987,800	86.61
Total	**1,585**		**92,355,877**	**100.00**

	Minimum Parcel Size	Holders	Units
Unmarketable parcels field information	486	133	28,526

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 24 August 2023.

Name of Substantial Shareholder	Extent of Interest (Number of Shares)	Date of last notification
Viburnum Funds Pty Ltd	25,696,019	20 May 2021
Richmond Hill Capital Pty Ltd	17,011,011	23 Jun 2023
Sandon Capital Pty Ltd	9,874,432	10 Aug 2023
Castle Point Funds Management	6,210,518	16 Oct 2021
DUMAC Inc.	4,498,152	23 Dec 2019

UNQUOTED EQUITY SECURITIES

Nil.

SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are no securities on issue subject to voluntary escrow.

VOTING RIGHTS

Each member present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled:

- on a show of hands - to one vote
- on a poll - to one vote for each share held

There are no other classes of equity securities.

ON-MARKET BUY-BACK

On 16 August 2023 the Company announced an on-market buy-back of a maximum of 9,235,587 ordinary fully paid shares (up to 10% of issued capital) in the Company from the period 4 September 2023 to 4 September 2024.

Coventry Group Ltd

CORPORATE DIRECTORY

Coventry Group
ABN 37 008 670 102

Registered and Principal Administrative Office
235 Settlement Road,
Thomastown, Victoria 3074

Postal Address
P O Box 526
Thomastown, Victoria 3074

Website
www.cgl.com.au

Secretary
Mark Licciardo

Bankers
National Australia Bank Limited
Australian and New Zealand Banking Group Limited
Bank of New Zealand

Auditors
KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne, Victoria 3008

Share Registry
Computershare Limited

Yarra Falls
452 Johnston Street, Abbotsford
Melbourne Victoria 3067

or

GPO Box 2975
Melbourne, Victoria 3000

Telephone from within Australia: 1300 763 414
Telephone from outside Australia: (+61) 3 9415 5000
Facsimile: +(61) 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Securities Exchange Listing
The Company's shares are listed on the ASX Limited and trade under the code CYG. The home exchange is Melbourne.

Shareholder Enquiries/Change of Address
Shareholders wishing to enquire about their shareholdings, dividend payments, or change their address should contact the Company's share registry.

Coventry Group Ltd