



Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market

Full Year Ended 30 June 2012

			\$000
Revenues from ordinary activities	Up	6% to	242,864
Profit from ordinary activities after tax attributable to members	Up	N/A	18,524
Net profit for the period attributable to members	Up	N/A	18,524

<u>Dividends (distributions)</u>			
		Amount per <u>security</u>	Franked amount <u>per security</u>
Final dividend		11 cents	11 cents
Date the dividend is payable		21 September 2012	
Record date for determining entitlements to the dividend		7 September 2012	
<u>Amount of dividend per security</u>			
		Amount per <u>security</u>	Franked amount <u>per security at 30% tax</u>
Final dividend	current year	11 cents	11 cents
	previous year	11 cents	11 cents
Interim dividend	current year	11 cents	11 cents
	previous year	11 cents	11 cents
Total dividend	current year	22 cents	22 cents
	previous year	22 cents	22 cents
<u>Dividend reinvestment plan (DRP)</u>			
The Company's DRP has been suspended in relation to the dividend declared on 27 August 2012 and payable on 21 September 2012.			

<u>Net Tangible Assets Per Security</u>	
As at 30 June 2012	\$3.71
As at 30 June 2011	\$3.38

For an explanation of the figures reported above see the attached commentary.
The attached financial statements and Directors' declaration have been audited.

**Coventry Group Ltd
and its controlled entities**

ABN 37 008 670 102

**Financial Report
30 June 2012**

Coventry Group Ltd and its controlled entities

Contents

Statement of comprehensive income	3
Statement of changes in equity	4
Statement of financial position	5
Statement of cash flows	6
Notes to consolidated financial statements:	
1. Significant accounting policies	7
2. Segment reporting	18
3. Other income	21
4. Auditor's remuneration	21
5. Personnel expenses	21
6. Net financing costs	21
7. Taxes	22
8. Earnings per share	25
9. Cash and cash equivalents	26
10. Trade and other receivables	26
11. Inventories	26
12. Parent entity disclosures	27
13. Property, plant and equipment	28
14. Intangible assets	30
15. Trade and other payables	33
16. Interest-bearing loans and borrowings	33
17. Employee benefits	34
18. Share based payments	35
19. Provisions	36
20. Capital and reserves	37
21. Financial risk management	41
22. Operating leases	47
23. Discontinued operations	48
24. Acquisition of subsidiary and non-controlling interests	49
25. Assets held for sale	50
26. Controlled entities	50
27. Reconciliation of cash flows from operating activities	51
28. Key management personnel disclosures	52
29. Related parties - other than key management personnel	55
Directors' report	56
Directors' declaration	75

Coventry Group Ltd and its controlled entities
Statement of comprehensive income
For the year ended 30 June 2012

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated 2012	2011
Continuing operations			
Revenue from sale of goods		242,864	229,365
Cost of sales		(144,114)	(136,460)
Gross profit		<u>98,750</u>	<u>92,905</u>
Other revenue		4,052	1,765
Other income	3	10,997	13
Employee benefits expense	5	(51,390)	(54,324)
Depreciation and amortisation expenses		(2,990)	(3,240)
Occupancy costs		(9,395)	(6,825)
Communication costs		(2,538)	(2,231)
Freight		(6,943)	(7,216)
Impairment of goodwill	14	-	(21,089)
Other expenses		(21,957)	(16,026)
Profit/(loss) before financial income and tax		<u>18,586</u>	<u>(16,268)</u>
Financial income	6	2,662	382
Financial expenses	6	(2)	(179)
Net financial income		<u>2,660</u>	<u>203</u>
Profit/(loss) before income tax		21,246	(16,065)
Income tax expense	7	(4,377)	(1,298)
Profit/(loss) from continuing operations for the year		<u>16,869</u>	<u>(17,363)</u>
Discontinued operations			
Profit from discontinued operations (net of income tax)	23	2,139	544
Profit/(loss) for the year		<u>19,008</u>	<u>(16,819)</u>
Other comprehensive income/(loss)			
Foreign currency translation differences		463	(1,455)
Other comprehensive income/(loss) for the year, net of income tax		<u>463</u>	<u>(1,455)</u>
Total comprehensive income/(loss) for the year		<u>19,471</u>	<u>(18,274)</u>
Profit/(loss) attributable to:			
Equity holders of the Company		18,524	(17,341)
Non-controlling interests		484	522
Profit/(loss) for the year		<u>19,008</u>	<u>(16,819)</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		18,982	(18,774)
Non-controlling interests		489	500
Total comprehensive income/(loss) for the year		<u>19,471</u>	<u>(18,274)</u>
Earnings per share:			
Basic earnings/(loss) per share:	8	47.8 cents	(43.4) cents
Diluted earnings/(loss) per share:	8	47.8 cents	(43.4) cents
Continuing operations			
Basic earnings/(loss) per share:		42.3 cents	(44.7) cents
Diluted earnings/(loss) per share:		42.3 cents	(44.7) cents

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

Coventry Group Ltd and its controlled entities
Statement of changes in equity
For the year ended 30 June 2012

<i>In thousands of AUD</i>	Note	Consolidated 2012	2011
Total equity at the beginning of the financial year		<u>148,006</u>	<u>174,041</u>
Total comprehensive income for the year			
Profit/(loss) for the year		19,008	(16,819)
Other comprehensive income			
Foreign currency translation differences, net of tax		<u>463</u>	<u>(1,455)</u>
Total other comprehensive income, net of tax		<u>463</u>	<u>(1,455)</u>
Total comprehensive income for the year	20	<u>19,471</u>	<u>(18,274)</u>
Transactions with owners, recorded directly in equity			
Own shares acquired		(5,180)	(184)
Share based payment transactions		198	113
Employee share issue		174	401
Dividends to equity holders		(8,591)	(7,596)
Dividends paid to non-controlling interests		<u>(509)</u>	<u>(495)</u>
Total transactions with owners		<u>(13,908)</u>	<u>(7,761)</u>
Total equity at the end of the financial year	20	<u>153,569</u>	<u>148,006</u>

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

Coventry Group Ltd and its controlled entities
Statement of financial position

As at 30 June 2012

<i>In thousands of AUD</i>	Note	Consolidated	
		2012	2011
Assets			
Cash and cash equivalents	9	55,035	7,066
Trade and other receivables	10	44,097	59,097
Inventories	11	53,729	53,173
Assets classified as held for sale	25	209	37,784
Income tax receivable	7	350	-
Total current assets		153,420	157,120
Deferred tax assets	7	9,128	13,545
Property, plant and equipment	13	17,144	17,033
Intangible assets	14	10,362	10,009
Total non current assets		36,634	40,587
Total assets		190,054	197,707
Liabilities			
Trade and other payables	15	27,511	37,593
Employee benefits	17	6,962	7,067
Liabilities classified as held for sale		-	3,235
Income tax payable	7	238	327
Provisions	19	470	299
Total current liabilities		35,181	48,521
Employee benefits	17	1,073	841
Provisions	19	231	339
Total non current liabilities		1,304	1,180
Total liabilities		36,485	49,701
Net assets		153,569	148,006
Equity			
Issued capital	20	108,653	113,659
Reserves	20	26,040	23,057
Retained earnings	20	16,166	8,560
Total equity attributable to equity holders of the Company	20	150,859	145,276
Non-controlling interests	20	2,710	2,730
Total equity	20	153,569	148,006

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

Coventry Group Ltd and its controlled entities
Statement of cash flows
For the year ended 30 June 2012

<i>In thousands of AUD</i>	Note	Consolidated	
		2012	2011
Cash flows from operating activities			
Cash receipts from customers		290,040	442,818
Cash paid to suppliers and employees		(271,177)	(434,088)
Cash generated from operations		<u>18,863</u>	8,730
Interest paid		(2)	(179)
Income taxes paid		(689)	(979)
Net cash from operating activities	27	<u>18,172</u>	<u>7,572</u>
Cash flows from investing activities			
Proceeds from sale of plant and equipment		259	772
Proceeds from sale of land and buildings		20,937	-
Interest received		2,611	155
Disposal of discontinued operation, net of cash disposed of	23	28,943	5,389
Acquisition of business, net of cash acquired		(1,554)	-
Acquisition of property, plant and equipment	13	(4,320)	(5,072)
Acquisition of intangible assets	14	(797)	(395)
Net cash from investing activities		<u>46,079</u>	<u>849</u>
Cash flows from financing activities			
Repayment of borrowings		-	(812)
Payments for share buy-back		(5,180)	(184)
Dividends paid		(10,593)	(5,594)
Dividends paid to non-controlling interests	20	(509)	(495)
Net cash used in financing activities		<u>(16,282)</u>	<u>(7,085)</u>
Net increase in cash and cash equivalents		47,969	1,336
Cash and cash equivalents at 1 July		7,066	5,730
Cash and cash equivalents at 30 June	9	<u>55,035</u>	<u>7,066</u>

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

Coventry Group Ltd and its controlled entities

1. Significant accounting policies

Coventry Group Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 525 Great Eastern Highway Redcliffe WA 6104 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2012 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the directors on 27 August 2012.

(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 that derivative financial instruments and share based payments are stated at their fair value.

The Company is of a kind referred to in ASIC Class Order ('CO') 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2007) and in accordance with that, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have a significant effect on the financial report, and estimates with a significant risk of material adjustment in the next year, are discussed in note 1(y).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

(c) Basis of consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Group. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements, net of impairment write downs.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra group balances and transactions and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

(d) 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 at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of 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 ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) 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. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(e) Derivative financial instruments

The Group policy is to use derivative financial instruments to hedge its exposure to interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or use derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy 1(f)).

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non financial asset or non financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two paragraphs, the associated cumulative gain or loss is removed from equity and recognised in the statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the statement of comprehensive income.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of comprehensive income.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the statement of comprehensive income.

When an anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedge transaction are recognised immediately in the statement of comprehensive income.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the statement of comprehensive income for the period.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

An impairment allowance is made for obsolete, damaged and slow moving inventories. Impairment allowances are estimated by analysing the aging and stock holding by reference to the age of the individual inventory item or the estimated time taken to sell that inventory item. Varying percentages are applied to the determined profile to estimate the allowance for impairment.

(i) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses.

(j) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of acquired assets includes:

- (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and
- (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. The Group does not have any finance leases. Other leases are classified as operating leases.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item, to the extent that it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The depreciation rates used for each class of depreciable assets for the current and comparative periods are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
- Plant and Equipment	5% - 40%
- Buildings	2%

Where appropriate, the residual value and useful life are reassessed at least annually.

Disposal

The gain or loss on the disposal of property, plant and equipment is recognised on a net basis and is included in other income or other expenses.

(k) Intangible assets

Goodwill

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses.

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 stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation of intangibles

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date that they are available for use. In the current and comparative periods, goodwill was estimated to have an indefinite useful life and computer software was estimated to have a useful life of 3 to 12 years.

(l) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(l) Impairment (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non financial assets

The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine if there is any indication of impairment. If any indication exists, other than for deferred tax assets, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have infinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash generating unit is the greater of the value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into a group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units (CGU's) to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU's that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the units and then to reduce the carrying amount to the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost less any impairment losses with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(n) Current assets held for sale

Current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(o) 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. Employee benefits expected to be settled within one year have been measured at the undiscounted amounts expected to be paid when the liabilities are settled including related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits including related on-costs.

The Group makes contributions to accumulation style superannuation funds for its employees. These contributions are charged through the statement of comprehensive income.

A liability is recognised for short term incentive plans. The calculation is based on the achievement of annually agreed key performance indicators by eligible employees.

The long term incentive plan allows specified employees to acquire shares of the Company subject to the achievement of internal and external performance hurdles. The fair value of shares granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest, and for those shares subject to internal performance hurdles, the probability of achieving those hurdles as at the reporting date. The value of shares that are yet to vest are recorded in a share based payments reserve and transferred to share capital once vested. The fair value of the shares granted is measured based on the Black-Scholes or binomial formula, taking into account the terms and conditions upon which the shares were granted.

Also included in the long term incentive plan are options granted to directors and key management personnel. The grant date fair value of options granted is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(p) Provisions

A provision is recognised in the balance sheet 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. Material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Warranties

Provisions for warranty claims are made for claims received and claims expected to be received in relation to sales made prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(p) Provisions (continued)

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Make good

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

(q) Trade and other payables

Trade and other payables are stated at amortised cost.

Trade payables are non interest bearing and are normally settled within 60 day terms.

(r) Revenue

Revenue from sale of goods 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 the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Rental income is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(s) Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(t) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign currency gains and losses and gains and losses on hedging instruments that are recognised in the statement of comprehensive income (see accounting policy 1(f)). Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

Foreign currency gains and losses are reported on a net basis.

(u) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Executive Chairman, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are regularly reviewed by the Group's Executive Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(u) Segment reporting (continued)

Segment results that are reported to the Executive Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(v) 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 comprehensive income 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(v) Income tax (continued)

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.

(w) 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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(x) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and rights granted to employees.

(y) Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant affect on the amount recognised in the financial statements are described in the following notes:

- Note 1(h) – significant accounting policies – inventories
- Note 1(v) – significant accounting policies – income tax
- Note 14 – measurement of the recoverable amount of cash generating units containing goodwill
- Note 21 – allowance for trade receivable impairment losses

(z) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(aa) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ab) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings. No borrowing costs were directly attributable to acquisitions.

Foreign currency gains and losses 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.

(ac) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 30 June 2016 consolidated financial statements and could change the classifications and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

2. Segment reporting

For the 2011 financial year, the Group had 3 reportable segments which comprised its strategic business units. Following the sale of the automotive parts distribution business unit, the Executive Chairman initiated a review of the internal management reports which resulted in the Industrial business unit being separated into 3 segments. The Group now reports on 5 segments as described below. For each of the strategic business segments, the Executive Chairman reviews internal management on a monthly basis. The following summary describes the operations of each of the Group's reportable business segments:

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Executive Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
2. Segment reporting (continued)

Business Segments	Note	Automotive (discontinued)		Fasteners		Fluids		Hardware		Gaskets		Total	
		2012	2011 Represented ⁽ⁱ⁾	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented	2012	2011	2012	2011
<i>In thousands of AUD</i>													
External sales		355	166,243	124,690	126,766	80,620	63,173	24,576	26,885	12,844	12,540	243,085	395,607
Other revenue		202	596	789	748	204	171	516	564	184	158	1,895	2,237
External revenue		557	166,839	125,479	127,514	80,824	63,344	25,092	27,449	13,028	12,698	244,980	397,844
Inter segment revenue		-	-	-	2	-	37	445	621	-	462	445	1,122
Total revenue for reportable segments		557	166,839	125,479	127,516	80,824	63,381	25,537	28,070	13,028	13,160	245,425	398,966
Depreciation and amortisation		-	977	816	610	419	297	191	152	239	228	1,665	2,264
Reportable segment profit or (loss) before finance costs, income tax and significant items		284	2,199	(257)	(1,355)	12,187	7,614	(1,001)	(1,155)	2,521	2,663	13,734	9,966
Redundancy		-	-	(356)	(204)	-	(6)	(199)	(40)	-	-	(555)	(250)
Restructuring costs		(138)	164	39	(450)	-	-	-	-	-	-	(99)	(286)
Increase in obsolete stock provision		-	-	-	-	-	-	(1,558)	-	-	-	(1,558)	-
Impairment loss on property, plant & equipment		-	-	-	-	-	-	-	-	-	-	(2,001)	-
Impairment loss on software	23	-	(3,119)	-	-	-	-	-	-	-	-	-	(3,119)
Impairment loss on goodwill	14	-	(1,095)	-	(21,089)	-	-	-	-	-	-	-	(21,089)
Net gain on sale of business		4,912	(1,095)	-	-	-	-	-	-	-	-	4,912	(1,095)
Reportable segment profit or (loss) before finance costs and income tax		3,057	(1,851)	(574)	(23,098)	12,187	7,608	(2,758)	(1,195)	2,521	2,663	14,433	(15,873)
Reportable segment assets		-	53,266	53,975	56,186	31,006	24,303	13,567	15,743	11,367	11,531	109,915	161,029
Reportable segment liabilities		443	16,022	16,766	15,159	10,154	7,916	2,050	1,997	1,359	1,530	30,772	42,624
Capital Expenditure		-	3,677	1,254	2,022	1,663	846	452	427	147	138	3,516	7,110

⁽ⁱ⁾ The Automotive comparatives have been represented to be consistent with the year ended 30 June 2012 analysis.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

2. Segment reporting (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

In thousands of AUD

	2012	2011
Revenues		
Total revenue for reportable segments	245,425	398,966
Other revenue	2,494	125
Elimination of inter segment revenue	(446)	(1,122)
Elimination of discontinued operations	(557)	(166,839)
Consolidated revenue and other revenue	246,916	231,130
Profit or loss		
Total profit/(loss) for reportable segments	14,433	(15,873)
Net gain on sale of land & buildings	10,983	-
Unallocated amounts: other corporate expenses and income	(3,773)	(2,246)
Net finance income	2,660	203
Consolidated profit before income tax	24,303	(17,916)
Elimination of discontinued operations	(3,057)	1,851
Consolidated profit before income tax from continuing operations	21,246	(16,065)
Assets		
Total assets for reportable segments	109,915	161,029
Other assets	80,139	36,678
Consolidated total assets	190,054	197,707
Liabilities		
Total liabilities for reportable segments	30,772	42,624
Other liabilities	5,713	7,077
Consolidated total liabilities	36,485	49,701

Other significant items 2012

In thousands of AUD

	Reportable segment totals	Adjustments	Consolidated totals
Employee share issue	-	(174)	(174)
Share based payments	-	(198)	(198)
Net gain on sale of land & buildings	-	10,983	10,983
Net gain on sale of business	4,912	-	4,912
Impairment loss on property, plant & equipment	(2,001)	-	(2,001)
Redundancy	(555)	-	(555)
Restructuring costs	(99)	-	(99)
Increase in obsolete stock provision	(1,558)	-	(1,558)
	699	10,611	11,310

Other significant items 2011 - Restated⁽¹⁾

In thousands of AUD

	Reportable segment totals	Adjustments	Consolidated totals
Employee share issue	-	(401)	(401)
Share based payments	-	(113)	(113)
Redundancy	(250)	-	(250)
Restructuring costs	(286)	-	(286)
Net gain on sale of business	(1,095)	-	(1,095)
Impairment loss on software	(3,119)	-	(3,119)
Impairment loss on goodwill	(21,089)	-	(21,089)
	(25,839)	(514)	(26,353)

⁽¹⁾ The Automotive comparatives have been represented to be consistent with the year ended 30 June 2012 analysis.

Geographical Information

Revenue	2012		2011	
	Revenues	Non-current assets (I)	Revenues	Non-current assets ⁽¹⁾
In thousands of AUD				
Australia	228,694	27,092	211,480	26,642
New Zealand	18,222	414	19,650	400
Total	246,916	27,506	231,130	27,042

⁽¹⁾ Other than the equity-accounted investees, the non-current assets presented consist of property, plant and equipment, and intangible assets

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

3. Other income

In thousands of AUD

Net gain on disposal of property, plant and equipment
Other income

Consolidated	
2012	2011
10,997	8
-	5
<u>10,997</u>	<u>13</u>

4. Auditor's remuneration

In AUD

Audit services

Auditors of the Group

KPMG Australia:

Audit and review of financial reports

KPMG New Zealand:

Audit of financial reports

Consolidated	
2012	2011
233,600	242,785
31,000	35,959
<u>264,600</u>	<u>278,744</u>

Other services

Auditors of the Group

KPMG:

Tax services

18,158	19,072
<u>18,158</u>	<u>19,072</u>

5. Personnel expenses

In thousands of AUD

Wages and salaries

Share based payments

Other associated personnel expenses

Contributions to superannuation funds

Liability for annual leave and long service leave

Consolidated	
2012	2011
41,042	44,422
198	113
911	1,011
3,855	3,847
5,384	4,931
<u>51,390</u>	<u>54,324</u>

6. Net financing income

In thousands of AUD

Interest income from other entities

Net foreign exchange gain

Financial income

Consolidated	
2012	2011
2,611	155
51	227
<u>2,662</u>	<u>382</u>

Interest expense

Financial expenses

Net financing costs/(income)

2	179
<u>2</u>	<u>179</u>
<u>2,660</u>	<u>203</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

7. Taxes

Current tax expense

Tax recognised in the profit or loss

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		2012	2011
Current tax expense			
Current year		899	1,081
		<u>899</u>	<u>1,081</u>
Deferred tax expense			
Origination and reversal of temporary differences		4,694	212
Adjustments for prior years		(115)	(107)
Revenue tax losses (recognised)/not recognised		(196)	482
Reversal/(recognition) of capital losses		-	(2,783)
Effect of tax rate changes applicable to foreign controlled entity		13	18
		<u>4,396</u>	<u>(2,178)</u>
Income tax expense/(benefit)		<u>5,295</u>	<u>(1,097)</u>
Income tax expense/(benefit) from continuing operations		4,377	1,298
Income tax expense/(benefit) from discontinued operations	23	918	(2,395)
Total income tax expense/(benefit)		<u>5,295</u>	<u>(1,097)</u>

Tax recognised directly in equity

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Translation reserve	5	2
Total income tax recognised directly in equity	<u>5</u>	<u>2</u>

Reconciliation of effective tax rate

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Profit/(loss) for the period	19,008	(16,819)
Total income tax expense/(benefit)	5,295	(1,097)
Profit/(loss) excluding income tax	<u>24,303</u>	<u>(17,916)</u>
Income tax using the Company's domestic tax rate of 30%	7,291	(5,375)
Non-deductible expenditure	70	263
Profit on sale of assets	(1,790)	-
Non-deductible impairment loss	-	6,405
Over provision in prior periods	(115)	(107)
Revenue tax losses (recognised)/not recognised	(196)	482
Reversal/(recognition) of capital losses	-	(2,783)
Effect of lower tax rate applicable to foreign controlled entity	35	18
	<u>5,295</u>	<u>(1,097)</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
7. Taxes (continued)

Current tax assets and liabilities

The current tax asset for the Group of \$350,000 (2011: nil) represents the amount of income taxes recoverable in respect of the current and prior financial periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the Group of \$238,000 (2011: \$327,000) represents the amount of income taxes payable in respect of current and prior financial periods.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Trade and other receivables	123	384	(20)	(23)	103	361
Inventories	1,425	2,778	-	-	1,425	2,778
Property, plant and equipment	636	24	(5)	(1,130)	631	(1,106)
Intangible assets	-	-	(2,233)	(2,014)	(2,233)	(2,014)
Employee benefits	2,407	3,339	-	-	2,407	3,339
Trade and other payables	336	330	(45)	(23)	291	307
Provisions	210	268	-	-	210	268
Translation reserve	491	479	-	-	491	479
Tax loss carry forward-capital	-	2,783	-	-	-	2,783
Tax loss carry forward-income	5,803	6,350	-	-	5,803	6,350
Tax assets/(liabilities)	11,431	16,735	(2,303)	(3,190)	9,128	13,545
Set off of deferred tax liability	(2,303)	(3,190)	2,303	3,190	-	-
Net deferred tax asset	9,128	13,545	-	-	9,128	13,545

The Group has recognised a deferred tax asset of \$9,128,000 (2011: \$13,545,000), of which \$5,803,000 (2011: \$7,783,000) relates to carried forward tax losses.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
7. Taxes (continued)

Movement in deferred tax balances during the year

	Balance 1-Jul-10	Recognised in income	Recognised in equity	Balance 30-Jun-11	Recognised in income	Recognised in equity	Balance 30-Jun-12
<i>In thousands of AUD</i>							
Trade and other receivables	635	(274)	-	361	(258)	-	103
Inventories	3,061	(283)	-	2,778	(1,353)	-	1,425
Property, plant and equipment	(1,116)	10	-	(1,106)	1,737	-	631
Intangible assets	(2,964)	950	-	(2,014)	(219)	-	(2,233)
Employee benefits	3,588	(249)	-	3,339	(932)	-	2,407
Trade and other payables	431	(124)	-	307	(16)	-	291
Provisions	496	(228)	-	268	(58)	-	210
Translation reserve	477	-	2	479	-	12	491
Tax loss carry forward-income	7,148	(798)	-	6,350	(547)	-	5,803
Tax loss carry forward-capital	-	2,783	-	2,783	(2,783)	-	-
	11,756	1,787	2	13,545	(4,429)	12	9,128

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012, calculated as follows:

Profit/(loss) attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated					
	2012			2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit/(loss) for the year	16,869	2,139	19,008	(17,363)	544	(16,819)
Profit/(loss) attributable to ordinary shareholders	16,385	2,139	18,524	(17,885)	544	(17,341)

Weighted average number of ordinary shares

<i>In thousands of shares</i>	2012	2011
Issued ordinary shares at 1 July	39,997	39,907
Effect of employee share offer & share buy back	(1,226)	90
Weighted average number of ordinary shares at 30 June	38,771	39,997

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2012	2011
Weighted average number of ordinary shares at 30 June (basic)	38,771	39,997
Weighted average number of ordinary shares at 30 June	38,771	39,997

Earnings per share

Basic earnings/(loss) per share	47.8 cents	(43.4) cents
Diluted earnings/(loss) per share	47.8 cents	(43.4) cents

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

9. Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Cash on hand	52	70
Bank balances	4,173	6,215
Call deposits	50,810	781
Cash and cash equivalents	<u>55,035</u>	<u>7,066</u>

The Group has a bank overdraft facility as disclosed in note 16, of which \$nil was drawn down at 30 June 2012.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

10. Trade and other receivables

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Trade receivables	37,673	57,798
	<u>37,673</u>	<u>57,798</u>
Other receivables	5,720	211
Prepayments	704	1,088
	<u>6,424</u>	<u>1,299</u>
Total trade and other receivables	<u>44,097</u>	<u>59,097</u>

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 21. Included in "other expenses" in the statement of comprehensive income are impairment losses on trade receivables for the Group of \$316,000 (2011: \$941,000).

11. Inventories

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Finished goods	53,729	53,173
	<u>53,729</u>	<u>53,173</u>

During the year ended 30 June 2012 the write-down of inventories to net realisable value, recognised in "other expenses", amounted to \$2,651,000 (2011: \$1,688,000) for the Group.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

12. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was Coventry Group Ltd.

Results of the parent entity	Company	
	2012	2011
<i>In thousands of AUD</i>		
Profit/(loss) for the period	19,656	(6,450)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	<u>19,656</u>	<u>(6,450)</u>

Financial position of parent entity at year end	Company	
	2012	2011
Current assets	134,328	139,223
Total assets	197,043	204,284
Current liabilities	32,117	45,824
Total liabilities	33,158	46,656
Total equity of the parent entity comprising of:		
Issued capital	108,653	113,659
Reserves	28,132	25,608
Retained earnings	27,100	18,361
Total equity	<u>163,885</u>	<u>157,628</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
13. Property, plant and equipment

<i>In thousands of AUD</i>	Land and buildings	Consolidated Plant and equipment	Total
Cost			
Balance at 1 July 2010	14,264	35,637	49,901
Other acquisitions	53	5,019	5,072
Disposals	-	(6,947)	(6,947)
Reclassification to assets held for sale	(12,018)	(1,979)	(13,997)
Effect of movements in foreign exchange	-	(65)	(65)
Balance at 30 June 2011	<u>2,299</u>	<u>31,665</u>	<u>33,964</u>
Balance at 1 July 2011	2,299	31,665	33,964
Acquisitions through business combinations	-	592	592
Other acquisitions	-	4,320	4,320
Disposals	-	(1,337)	(1,337)
Effect of movements in foreign exchange	-	20	20
Balance at 30 June 2012	<u>2,299</u>	<u>35,260</u>	<u>37,559</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
13. Property, plant and equipment (continued)

<i>In thousands of AUD</i>	Land and buildings	Consolidated Plant and equipment	Total
Depreciation and impairment losses			
Balance at 1 July 2010	2,024	20,828	22,852
Depreciation charge for the year	189	2,297	2,486
Disposals	-	(6,044)	(6,044)
Reclassification to assets held for sale	(1,853)	(474)	(2,327)
Effect of movements in foreign exchange	-	(36)	(36)
Balance at 30 June 2011	360	16,571	16,931
Balance at 1 July 2011	360	16,571	16,931
Depreciation charge for the year	30	2,210	2,240
Impairment	-	2,001	2,001
Disposals	-	(1,097)	(1,097)
Acquisitions through business combinations	-	324	324
Effect of movements in foreign exchange	-	16	16
Balance at 30 June 2012	390	20,025	20,415
Carrying amounts			
At 1 July 2010	12,240	14,809	27,049
At 30 June 2011	1,939	15,094	17,033
At 1 July 2011	1,939	15,094	17,033
At 30 June 2012	1,909	15,235	17,144

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
14. Intangible assets

<i>In thousands of AUD</i>	Consolidated			Total
	Goodwill	Distribution rights	Computer software	
Cost				
Balance at 1 July 2010	40,628	641	19,627	60,896
Acquisitions	-	-	395	395
Impairment	-	-	(4,838)	(4,838)
Disposals	-	-	(74)	(74)
Effect of movements in foreign exchange	(553)	-	(3)	(556)
Balance at 30 June 2011	40,075	641	15,107	55,823
Balance at 1 July 2011	40,075	641	15,107	55,823
Acquisitions through business combinations	312	-	-	312
Other acquisitions	-	-	797	797
Disposals	-	-	(53)	(53)
Balance at 30 June 2012	40,387	641	15,851	56,879

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
14. Intangible assets (continued)

	Consolidated			
	Goodwill	Distribution rights	Computer software	Total
<i>In thousands of AUD</i>				
Amortisation and impairment losses				
Balance at 1 July 2010	17,201	563	7,023	24,787
Amortisation for the year	-	78	1,653	1,731
Impairment	21,089	-	(1,719)	19,370
Disposals	-	-	(71)	(71)
Effect of movements in foreign exchange	-	-	(3)	(3)
Balance at 30 June 2011	<u>38,290</u>	<u>641</u>	<u>6,883</u>	<u>45,814</u>
Balance at 1 July 2011	38,290	641	6,883	45,814
Amortisation for the year	-	-	756	756
Disposals	-	-	(53)	(53)
Balance at 30 June 2012	<u>38,290</u>	<u>641</u>	<u>7,586</u>	<u>46,517</u>
Carrying amounts				
At 1 July 2010	23,427	78	12,604	36,109
At 30 June 2011	<u>1,785</u>	<u>-</u>	<u>8,224</u>	<u>10,009</u>
At 1 July 2011	1,785	-	8,224	10,009
At 30 June 2012	<u>2,097</u>	<u>-</u>	<u>8,265</u>	<u>10,362</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

14. Intangible assets (continued)

The following units have carrying amounts of goodwill:

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Cooper Fluid Systems	2,097	1,785
	<u>2,097</u>	<u>1,785</u>

The key assumptions used in the value in use calculations are as follows:

Key Assumptions	Basis For Determining Values Assigned to Each Key Assumption
Projected gross margins	Based on average gross margins achieved in the period immediately before the budget period, adjusted for known changes in purchasing terms and the expected level of competition.
Projected sales growth	Based on regional economic growth forecast and maintaining existing market share, except where new competition is expected.
Projected expenses/sales ratio	Based on expenses/sales ratio experienced in period immediately before the budget period, adjusted for known changes in expenses and expected impact of sales volume growth.
Improvement in working capital	Based on improvements achieved during the reporting period continuing in forecast periods.

Goodwill Impairment

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Impairment of goodwill	-	21,089
	<u>-</u>	<u>21,089</u>

In the year ended 30 June 2011 the Group assessed the recoverable amounts of the cash generating units of the Fasteners business resulting in an impairment loss of \$21.1 million. The impairment tests for the Fasteners cash generating units were based on value in use calculations, in which projected pre-tax cash flows for the following five years, together with a terminal value, were discounted at a pre-tax discount rate ranging between 14.4% and 15.2%. The discount rates were estimated based on an industry weighted average cost of capital. The projected cash flows were based on detailed operating budgets for the year ending 30 June 2012 approved by the Board, and forecasts for the following four years approved by management. Beyond the 2012 budgeted cash flows, growth rates of 4% were applied through to 2016 with terminal value growth rate of 2.5% applied in 2017 for Australian and New Zealand units respectively, which is consistent with long term growth forecasts.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

15. Trade and other payables

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Trade payables	20,536	28,656
Non trade payables and accrued expenses	6,975	8,937
	<u>27,511</u>	<u>37,593</u>

16. Interest-bearing loans and borrowings

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Financing facilities		
Total facilities available at balance sheet date		
Interchangeable multi currency revolving facility	25,000	23,593
Guarantee facility	800	2,257
Corporate credit card facility	750	750
	<u>26,550</u>	<u>26,600</u>
Facilities utilised at balance sheet date		
Interchangeable multi currency revolving facility	-	-
Guarantee facility	581	1,584
Corporate credit card facility	205	640
	<u>786</u>	<u>2,224</u>
Facilities not utilised at balance sheet date		
Interchangeable multi currency revolving facility	25,000	23,593
Guarantee facility	219	673
Corporate credit card facility	545	110
	<u>25,764</u>	<u>24,376</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

16. Interest-bearing loans and borrowings (continued)

Interchangeable multi currency revolving facility

The interchangeable facility is available for working capital, acquisition finance and capital management. The facility can be utilised as an AUD bank overdraft, AUD commercial bill or NZD term loan.

The bank overdraft facility may be drawn up to a maximum of AUD\$5 million (2011: AUD\$5 million) at any time and is repayable on demand. Interest is charged at prevailing market rates.

The balance of the AUD\$25 million (2011: AUD\$25 million) facility, including any undrawn bank overdraft facility may be available for draw-down as an AUD commercial bill or NZD term loan. Interest is charged at prevailing market rates. This ANZ facility extends to 20 October 2012.

Guarantee facility

Bank guarantees may be arranged from time to time under this facility, whereby the bank guarantees the performance of the Group in relation to certain contractual commitments, up to the limit specified in each individual guarantee.

Corporate credit card facility

Credit cards for business use may be issued under this facility from time to time.

Securities

All of the above facilities are secured by fixed and floating charges over the assets and undertakings of the Company, a general security agreement from Coventry Group (NZ) Limited, and by a deed of cross guarantee between those companies.

17. Employee benefits

Current

In thousands of AUD

Liability for long service leave
Liability for annual leave

Consolidated	
2012	2011
3,148	3,122
3,814	3,945
<u>6,962</u>	<u>7,067</u>

Non-current

In thousands of AUD

Liability for long service leave

Consolidated	
2012	2011
1,073	841
<u>1,073</u>	<u>841</u>

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

18. Share-based payments

Long term incentives are provided to senior management, including key management personnel, through the Executive Long Term Incentive Plan ("ELTIP") which was approved by shareholders at the annual general meeting on 5 November 2003.

During the years ended 30 June 2008 ('2007 options') and 30 June 2011 ('2010 options') under the ELTIP, share options were granted to the executive directors and senior management personnel that entitle them to purchase shares in the Company. No options were vested, exercised or lapsed during and since the end of the reporting period. The number of the options forfeited during the year ended 30 June 2012 was 200,000 (2011: nil).

The terms and conditions of the options granted are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
5-Nov-07	166,667	Provided the share price reaches a value of greater than 15% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
5-Nov-07	166,667	Provided the share price reaches a value of greater than 30% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
5-Nov-07	166,666	Provided the share price reaches a value of greater than 45% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
23-Nov-07	126,667	Provided the share price reaches a value of greater than 15% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
23-Nov-07	126,667	Provided the share price reaches a value of greater than 30% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
23-Nov-07	126,666	Provided the share price reaches a value of greater than 45% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
17-Sep-10	450,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
1-Oct-10	100,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
29-Oct-10	500,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
	(80,000)	Less: 2007 Options forfeited in 2009	
	(200,000)	Less: 2010 options forfeited in 2012	
Total share options	1,650,000		

All options are to be settled by physical delivery of shares.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

18. Share based payments (continued)

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under share option programme and replacement awards is as follows.

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<i>in thousands of options</i>	2012	2012	2011	2011
Outstanding at 1 July	1,850,000	\$2.97	800,000	\$3.88
Forfeited during the year	(200,000)	\$2.27	-	-
Granted during the year	-	-	1,050,000	\$2.27
Outstanding at 30 June	1,650,000	\$3.05	1,850,000	\$2.97

The options outstanding at 30 June 2012 have an exercise price in the range of \$2.27 and \$3.88.

The total employee benefits expense recognised for the reporting period under each ELTIP offer is as follows:

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
2007 Options – equity settled	47	70
2010 Options – equity settled	151	43
	198	113

19. Provisions

Current

<i>In thousands of AUD</i>	Warranty	Restructuring/ onerous contracts ⁽ⁱ⁾	Total
Balance at 1 July 2011	158	141	299
Provisions increased during the year	159	246	405
Provisions used during the year	(69)	(165)	(234)
Balance at 30 June 2012	248	222	470

Non-current

<i>In thousands of AUD</i>	Warranty	Restructuring/ onerous contracts ⁽ⁱ⁾	Total
Balance at 1 July 2011	-	339	339
Provisions reduced during the year	-	(108)	(108)
Balance at 30 June 2012	-	231	231

⁽ⁱ⁾ Includes provision provided in 2009 for the unexpired portion of the lease of the distribution centre for disposed division - Coventry Auto Parts Queensland. The provision balance is reviewed annually.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

20. Capital and reserves

Reconciliation of movement in capital and reserves for the period ended 30 June 2012

	Share-based payments reserve	Translation reserve	Realisation Reserve	Total reserve	Share Capital	Retained earnings	Total for members of the Company	Minority interest	Total equity
<i>In thousands of AUD</i>									
Balance at 1 July 2011	327	(2,552)	25,282	23,057	113,659	8,560	145,276	2,730	148,006
Total comprehensive income for the year	-	-	-	-	-	18,524	18,524	484	19,008
Profit or Loss	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	458	-	458	-	-	458	5	463
Total other comprehensive income	-	458	-	458	-	-	458	5	463
Total comprehensive income for the year	-	458	-	458	-	18,524	18,982	489	19,471
Transactions with owners, recorded directly in equity									
Own shares acquired	-	-	-	-	(5,180)	-	(5,180)	-	(5,180)
Share based payment transactions	198	-	-	198	-	-	198	-	198
Employee share issue	-	-	-	-	174	-	174	-	174
Transfer to reserve	-	-	2,327	2,327	-	(2,327)	-	-	-
Dividends to equity holders/ re-invested	-	-	-	-	-	(8,591)	(8,591)	(509)	(9,100)
Balance at 30 June 2012	525	(2,094)	27,609	26,040	108,653	16,166	150,859	2,710	153,569

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

20. Capital and reserves (continued)

Reconciliation of movement in capital and reserves for the period ended 30 June 2011

	Share-based payments reserve	Translation reserve	Realisation Reserve	Total reserve	Share Capital	Retained earnings	Total for members of the Company	Minority interest	Total equity
<i>In thousands of AUD</i>									
Balance at 1 July 2010	214	(1,119)	25,282	24,377	113,442	33,497	171,316	2,725	174,041
Total comprehensive income for the year									
Profit or Loss	-	-	-	-	-	(17,341)	(17,341)	522	(16,819)
Other comprehensive income									
Foreign exchange translation differences	-	(1,433)	-	(1,433)	-	-	(1,433)	(22)	(1,455)
Total other comprehensive income	-	(1,433)	-	(1,433)	-	-	(1,433)	(22)	(1,455)
Total comprehensive income for the year	-	(1,433)	-	(1,433)	-	(17,341)	(18,774)	500	(18,274)
Transactions with owners, recorded directly in equity									
Own shares acquired	-	-	-	-	(184)	-	(184)	-	(184)
Share based payment transactions	113	-	-	113	-	-	113	-	113
Employee share issue	-	-	-	-	401	-	401	-	401
Dividends to equity holders/ re-invested	-	-	-	-	-	(7,596)	(7,596)	(495)	(8,091)
Balance at 30 June 2011	327	(2,552)	25,282	23,057	113,659	8,560	145,276	2,730	148,006

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

20. Capital and reserves (continued)

Share capital	The Company	
	Ordinary shares	
<i>In thousands of shares</i>	2012	2011
On issue at 1 July	39,997	39,907
Share buy back ⁽ⁱ⁾	(2,265)	(88)
Employee share scheme ⁽ⁱⁱ⁾	103	178
On issue at 30 June – fully paid	<u>37,835</u>	<u>39,997</u>

⁽ⁱ⁾ In 2009 the Group announced an on-market share buy back of up to 10% of its issued ordinary shares. The 12 month buy back period commenced on 23 November 2009 and has been renewed on a yearly basis. The latest renewal of the share buy back was for a 12 month period commencing on 23 November 2011.

⁽ⁱⁱ⁾ In February 2012 the Group offered an employee share scheme to eligible employees with 3 full years service. The offer per employee was 209 (2011: 225) fully paid ordinary shares in the Company at no cost to the employee. Employees who accepted this offer have the same rights as other ordinary shareholders with the exception that they are unable to trade for a period of 5 years from the date of issue of the shares. The fair value of these shares was calculated using the closing price as traded on the ASX on the issue date, discounted by the average lending rate of 10%. The Company issued 103,037 (2011: 178,425) fully paid ordinary shares with a fair value of \$1.69 (2011: \$2.25) each to eligible employees. The fair value of \$1.69 is less than the market price of the shares when issued and reflects the 5 year period that these shares must be held in escrow (2011: market price of shares at date of issue).

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.

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 presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Realisation reserve

The asset realisation reserve includes revaluation increments and decrements previously included in retained earnings, which have been realised upon the disposal of previously re-valued non current assets.

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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

20. Capital and reserves (continued)

Dividends

The following dividends were declared and paid by the Group:

Paid during the year 2012	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Second Interim 2011 Ordinary Dividend ⁽ⁱⁱ⁾	5.0	2,002	Fully Franked	08 July 2011
Final 2011 Ordinary Dividend	11.0	4,380	Fully Franked	23 September 2011
Interim 2012 Ordinary Dividend	11.0	4,211	Fully Franked	20 March 2012
Total Amount		<u>10,593</u>		

Payable after end of year	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Final 2012 Ordinary Dividend ⁽ⁱ⁾	11.0	4,162	Fully Franked	21 September 2012
		<u>4,162</u>		

⁽ⁱ⁾ The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2012, as it was declared after the year end, and will be recognised in subsequent financial reports.

⁽ⁱⁱ⁾ Declared in the year ended 30 June 2011.

Dividend franking account

In thousands of AUD

The Company

2012 2011

30 per cent franking credits available to shareholders of the Company for subsequent financial years

14,899 17,422

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for dividends declared before balance date.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

21. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

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

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims, through training and management standards and procedures, to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

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 receivables from customers.

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.

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. The Group's review includes external ratings, when available, and in some cases bank and trade references. Under this policy, purchase limits are established for each customer, which represents the maximum open amount without requiring approval from Senior Management; these limits are reviewed from time to time. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate mainly to the Group's trade customers. Customers that are graded as "high risk" are closely monitored and at such time they exceed the agreed limit are placed on prepayment terms.

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 recent Personal Property Security legislation. The Group does not normally require collateral in respect of trade and other receivables.

Cash at bank and on deposit is held with Australian and New Zealand banks.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

21. Financial risk management (continued)

Credit risk (continued)

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and where believed to be applicable, a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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 ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains a \$25 million multi-currency interchangeable facility in which interest is payable at prevailing market rates.

Note 16 sets out the terms and conditions attaching to the Group's facility.

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, Euros and Japanese yen. The Group adopts a policy of obtaining forward cover for specific purchase orders of low margin products. The Group's exposure to currency risk is not significant.

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.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the prevailing and projected profitability, projected operating cash flows and projected strategic investment opportunities. In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, buy its own shares on market or incur new borrowings.

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

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

21. Financial risk management (continued)

Credit risk

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:

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2012	2011
Cash and cash equivalents	9	55,035	7,066
Trade and other receivables ⁽ⁱ⁾	10	43,317	58,009
		<u>98,352</u>	<u>65,075</u>

⁽ⁱ⁾ The above "other receivables" carrying amount includes \$5 million receivable in relation to the sale of Land and Buildings. The amounts owing on the sale were received in July 2012. These receivables do not include statutory assets.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In thousands of AUD</i>		Consolidated Carrying amount	
		2012	2011
Australia		35,139	54,838
New Zealand		2,534	2,960
	10	<u>37,673</u>	<u>57,798</u>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customers was:

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2012	2011
Trade customers		33,079	49,809
Wholesale customers		4,594	7,989
	10	<u>37,673</u>	<u>57,798</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

21. Financial risk management (continued)

Credit risk (continued)

Impairment losses

The aging of the Group's trade receivables at the reporting date was:

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2012	2012	2011	2011
Not past due	23,042	-	34,859	-
Past due 1-30 days	11,975	-	18,036	-
Past due 31-60 days	2,110	-	3,019	-
Past due 61 days and over	862	316	3,165	1,281
	<u>37,989</u>	<u>316</u>	<u>59,079</u>	<u>1,281</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Balance as 1 July	1,281	2,200
Movements in provision	(965)	(919)
Balance at 30 June	<u>316</u>	<u>1,281</u>

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. The Group has no significant concentration of customer base.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

21. Financial risk management (continued)

Liquidity risk

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

Consolidated	2012			2011			
	Carrying amount	Contractual cash flow	6 mths or less	1-2 years	6 mths or less	6-12 mths	1-2 years
<i>In thousands of AUD</i>							
Non derivative financial liabilities							
Trade and other payables ⁽ⁱ⁾	26,919	(26,919)	26,919	-	34,849	(34,849)	-
	<u>26,919</u>	<u>(26,919)</u>	<u>26,919</u>	<u>-</u>	<u>34,849</u>	<u>(34,849)</u>	<u>-</u>

⁽ⁱ⁾ The above "other payables" carrying amount does not include statutory obligations.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

21. Financial risk management (continued)

Interest rate risk

Profile

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

<i>In thousands of AUD</i>	Consolidated	
	Carrying amount 2012	2011
Variable rate instruments		
Financial assets ⁽ⁱ⁾	54,983	6,996
Financial liabilities	-	-
	<u>54,983</u>	<u>6,996</u>

⁽ⁱ⁾ Variable financial assets do not include "cash on hand" as changes in interest rates do not affect this account

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any 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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

<i>In thousands of AUD</i>	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2012				
Variable rate instruments	550	(550)	-	-
Cash flow sensitivity (net)	<u>550</u>	<u>(550)</u>	<u>-</u>	<u>-</u>
30 June 2011				
Variable rate instruments	70	(70)	-	-
Cash flow sensitivity (net)	<u>70</u>	<u>(70)</u>	<u>-</u>	<u>-</u>

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

21. Financial risk management (continued)

Fair values

The fair values of financial assets and financial liabilities of the Group approximate their carrying amounts in the statement of financial position. The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount less any impairment loss is deemed to reflect the fair value.

22. Operating leases

Leases as lessee

Non cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Less than one year	8,952	11,065
Between one and five years	13,115	16,399
More than five years	22,547	24,304
	<u>44,614</u>	<u>51,768</u>

The Group leases various premises, plant and equipment and motor vehicles under operating leases. The leases typically run for periods ranging from 1 month to 15 years and in some cases provide for an option to renew the lease after expiry. Lease payments are reviewed periodically to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2012, the Group recognised \$11,748,098 (2011 \$15,656,086) as an expense in the statement of comprehensive income in respect of operating leases.

Coventry Group Ltd and its controlled entities Notes to the consolidated financial statements

23. Discontinued operations

In May 2011 the Group sold the business and assets of its automotive parts distribution business in South Australia (which traded as Motor Traders) to Burson Automotive Pty Ltd (Burson). In July 2011 the Group sold its WA automotive parts distribution business to Automotive Holdings Group (AHG); the segment assets were classified as held for sale and operations were discontinued as at 30 June 2011.

Profit/(loss) attributable to the discontinued operations were as follows:

<i>In thousands of AUD</i>	Consolidated	
	2012	2011
Results of discontinued operations		
Revenue	557	166,839
Expenses	(411)	(165,485)
Impairment loss ⁽ⁱ⁾	(2,001)	(3,119)
Results from operating activities	(1,855)	(1,765)
Income tax benefit	556	2,369
Results from operating activities, net of tax	(1,299)	604
Gain/(loss) on sale of discontinued operation	4,912	(86)
Income tax (expense)/benefit on sale of discontinued operation	(1,474)	26
Profit for the year	2,139	544
Basic earnings per share	5.5 cents	1.4 cents
Diluted earnings per share	5.5 cents	1.4 cents

⁽ⁱ⁾ At 30 June 2011 the recoverable amount of specific computer software assets utilised by the discontinued automotive operation was assessed resulting in an impairment loss of \$3,119,000. These assets were held in the corporate (\$1,580,000) and automotive (\$1,530,000) segments.

At 30 June 2012 the recoverable amount of certain property, plant & equipment previously utilised by its now discontinued automotive operation was reassessed, resulting in an impairment loss of \$2,001,000. These assets were held in the automotive segment.

Cash flows from discontinued operations

Net cash from(used) in operating activities	7,867	5,881
Net cash from(used) in investing activities	36,227	2,422
Net cash from(used) in financing activities	(44,115)	(8,309)
Net cash from discontinued operations	(21)	(6)

Effect of disposal of Automotive business on the financial position of the Group

<i>In thousands of AUD</i>	2012	2011
Property, plant and equipment	(1,505)	(394)
Inventories	(25,618)	(4,467)
Cash and cash equivalents	(21)	(6)
Trade and other receivables	(386)	-
Employee benefits	3,235	418
Trade and other creditors	243	-
Net assets and liabilities	(24,052)	(4,449)
Consideration received, satisfied in cash	28,964	5,395
Cash and cash equivalents disposed of	(21)	(6)
Net cash inflow	28,943	5,389

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Acquisition of subsidiary and non-controlling interests

Acquisition of subsidiary

On 1 March 2012 the Group obtained control of Fluidrive Pty Limited, a distributor of hydraulic equipment and supplies by acquiring 100 percent of the shares and voting interests in the Company.

Revenues in the year were insignificant for the Group.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

<i>In thousands of AUD</i>	2012
Cash	1,800
Total consideration transferred	<u>1,800</u>

Identifiable assets acquired and liabilities assumed

<i>In thousands of AUD</i>	2012
Cash	246
Current assets	1,349
Non-current assets	280
Current liabilities	<u>(387)</u>
Total net identifiable assets	<u>1,488</u>

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amount for provisions, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

<i>In thousands of AUD</i>	2012
Total consideration transferred	1,800
Fair value of identifiable net assets	<u>(1,488)</u>
	<u>312</u>

The goodwill is attributable mainly to customer relations and the skills of the Fluidrive workforce.

Acquisition related costs

The acquisition related costs were immaterial to the Group.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

25. Assets held for sale

In May 2011 the Coventry WA automotive business was contracted for sale to Automotive Holdings Group Limited. The assets less liabilities contracted for sale comprised the disposal group at 30 June 2011. The transaction settlement occurred on 1 July 2011.

Following the contracted sale of Coventry WA automotive business and the completed sale of the Motor Traders SA automotive business the Board agreed to sell the land and buildings associated with these businesses. The assets and liabilities of the automotive business and associated land and buildings were classified as held for sale as at 30 June 2011.

During the year end 30 June 2012, the assets and liabilities of the automotive business and all associated land and buildings were sold with the exception of one property that settled in August 2012.

Assets classified as held for sale

	2012	2011
<i>In thousands of AUD</i>		
Land and buildings	209	10,164
Plant and equipment	-	1,506
Inventories	-	26,114
	<u>209</u>	<u>37,784</u>

Liabilities classified as held for sale

	2012	2011
<i>In thousands of AUD</i>		
Employee benefits	-	3,235
	<u>-</u>	<u>3,235</u>

26. Controlled entities

	Country of Incorporation	Ownership interest	
		2012	2011
		%	%
AA Gaskets Pty Ltd	Australia	73	73
Fluidrive Pty Ltd ⁽ⁱ⁾	Australia	100	-
Managed System Services ⁽ⁱⁱ⁾	Australia	100	-
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited ⁽ⁱⁱⁱ⁾	New Zealand	73	73

The ultimate parent entity is Coventry Group Ltd.

⁽ⁱ⁾ The Company was purchased in March 2012

⁽ⁱⁱ⁾ A wholly owned subsidiary was established in October 2011

⁽ⁱⁱⁱ⁾ The company is a controlled entity of AA Gaskets Pty Ltd and operates in New Zealand

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

27. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<i>Note</i>	Consolidated	
		2012	2011
Cash flows from operating activities			
Profit/(loss) for the period		19,008	(16,819)
<i>Adjustments for:</i>			
Depreciation & amortisation		2,996	4,217
Impairment write off		2,001	24,208
Interest income from other entities	6	(2,611)	(155)
Interest expense	6	2	179
Net gain on disposal of property, plant and equipment	3	(10,997)	137
Net gain on disposal of business	23	(4,912)	-
Income tax expense/(benefit)	7	5,295	(1,097)
Operating profit before changes in working capital and provisions		10,782	10,670
Change in trade and other receivables		15,038	(1,411)
Change in inventories		(2,024)	1,670
Change in trade and other payables		(7,160)	(3,378)
Change in provisions and employee benefits		2,227	1,179
		18,863	8,730
Interest paid		(2)	(179)
Income taxes paid		(689)	(979)
Net cash from operating activities		18,172	7,572

Coventry Group Ltd and its controlled entities Notes to the consolidated financial statements

28. Key management personnel disclosures

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

BF Nazer
JH Nickson
KR Perry

Executive directors

RB Flynn, Executive Chairman
V Scidone, Director and General Manager – Fasteners

Executives

AP Hockley, Chief Financial Officer ⁽ⁱ⁾
KS Smith, Chief Financial Officer ⁽ⁱⁱ⁾

⁽ⁱ⁾ Resigned as CFO on 14 April 2012

⁽ⁱⁱ⁾ Appointed CFO on 14 April 2012

Key management personnel compensation

The key management personnel compensation included in employee benefits expense is as follows:

<i>In AUD</i>	Consolidated	
	2012	2011
Short-term employee benefits	1,830,356	3,007,745
Other long-term benefits	2,298	31,458
Post-employment benefits	171,622	277,324
Equity compensation benefits	161,125	110,444
	<u>2,165,401</u>	<u>3,426,971</u>

The comparative numbers include remuneration for personnel no longer considered key management personnel. The change was made following a review by the Group post disposing of the automotive business.

Information regarding individual directors and executives compensation and applicable equity instruments disclosures as required by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' report. 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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

28. Key management personnel disclosures (continued)

Movements in shares

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 1 July 2011	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2012
Directors						
BF Nazer	104,420	-	-	-	-	104,420
JH Nickson	102,653	-	5,000	-	-	107,653
KR Perry	-	-	-	-	-	-
RB Flynn	250,496	-	-	-	-	250,496
V Scidone	29,487	-	-	-	-	29,487
Executives						
AP Hockley ⁽ⁱ⁾	5,225	-	-	-	-	5,225
KS Smith ⁽ⁱⁱ⁾	-	-	-	-	-	-

⁽ⁱ⁾ Resigned as CFO on 14 April 2012

⁽ⁱⁱ⁾ Appointed CFO on 14 April 2012

No shares were granted to key management personnel during the reporting period as compensation.

	Held at 1 July 2010	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2011
Directors						
BF Nazer	104,420	-	-	-	-	104,420
JH Nickson	94,840	-	7,813	-	-	102,653
KR Perry	-	-	-	-	-	-
RB Flynn	240,496	-	10,000	-	-	250,496
V Scidone	29,487	-	-	-	-	29,487
Executives						
AP Hockley	5,000	-	225	-	-	5,225
MW Ridley	-	-	2,781	-	-	2,781
MJ Hurley	1,000	-	-	-	-	1,000
BN Carter ⁽ⁱ⁾	749	-	225	-	-	974
JE Robinson ⁽ⁱⁱ⁾	-	-	-	-	-	-
J Colli	1,071	-	225	-	-	1,296

No shares were granted to key management personnel during the reporting period as compensation.

⁽ⁱ⁾ became a relevant group executive during the year ended 30 June 2011

⁽ⁱⁱ⁾ ceased being a relevant group executive during the year ended 30 June 2011

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

28. Key management personnel disclosures (continued)

Options and rights over equity instruments

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

	Held at 1 July 2011	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2012
Executive Directors					
RB Flynn	850,000	-	-	-	850,000
V Scidone	250,000	-	-	-	250,000
Executives					
AP Hockley ⁽ⁱ⁾	230,000	-	-	-	230,000
KS Smith ⁽ⁱⁱ⁾	-	-	-	-	-

⁽ⁱ⁾ Resigned as CFO on 14 April 2012

⁽ⁱⁱ⁾ Appointed CFO on 14 April 2012

	Held at 1 July 2010	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2011
Executive Directors					
RB Flynn	500,000	350,000	-	-	850,000
V Scidone	100,000	150,000	-	-	250,000
Executives					
AP Hockley	80,000	150,000	-	-	230,000
MW Ridley	80,000	150,000	-	-	230,000
MJ Hurley	-	150,000	-	-	150,000
BN Carter ⁽ⁱ⁾	-	50,000	-	-	50,000
JE Robinson ⁽ⁱⁱ⁾	-	-	-	-	-
J Colli	40,000	-	-	-	40,000

⁽ⁱ⁾ became a relevant group executive during the year ended 30 June 2011

⁽ⁱⁱ⁾ ceased being a relevant group executive during the year ended 30 June 2011

No options held by Executive Directors and Executives were vested or vested but not exercisable as at 30 June 2012 or 2011.

Other 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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements

29. Related parties – other than key management personnel

Identity of related parties

The Group has a related party relationship with its controlled entities (see note 26).

Controlled entities

All transactions with controlled entities are at arms length.

The aggregate amounts included in the profit before tax for the year that resulted from transactions with controlled entities are:

	The Company	
	2012	2011
Dividend revenue	<u>2,141,250</u>	<u>1,305,000</u>
Revenue from sale of goods	<u>436,743</u>	<u>-</u>
Purchase of inventories	<u>4,354</u>	<u>-</u>
Increase in intercompany advance accounts	<u>(9,894,193)</u>	<u>(6,461,977)</u>
Aggregate amounts receivable from controlled entities	<u>1,188,131</u>	<u>11,082,324</u>

During the year ended 30 June 2012, the Company received interest of \$892,000 (2011: \$1,462,443) in respect of the advance account subject to interest charges. Interest is charged at commercial rates.

Coventry Group Ltd

Directors' report

For the year ended 30 June 2012

The directors present their report together with the financial report of Coventry Group Ltd (the "Company") and of the Group, being the Company and its subsidiaries for the year ended 30 June 2012.

Contents of directors' report	Page
1. Directors	57
2. Principal activities	60
3. Consolidated results	60
4. Dividends	61
5. Review of operations and results	62
6. Earnings per share	63
7. Significant change in the company's affairs	63
8. Events subsequent to reporting date	63
9. Likely developments	63
10. Remuneration report	
10.1 Key Management Personnel (KMPs)	64
10.2 Principles used to determine the nature and amount of compensation	65
10.3 Details of compensation	68
10.4 Analysis of bonuses included in compensation	72
10.5 Service contracts	72
10.6 Services from remuneration consultants	72
10.7 Options over shares granted as compensation	73
11. Environmental regulation	73
12. Insurance of officers	73
13. Corporate governance	73
14. Share options	73
15. Non-audit services	74
16. Lead auditor's independence declaration	74
17. Company secretary	74
18. Rounding off	74
Directors' declaration	75

Coventry Group Ltd
Directors' report
For the year ended 30 June 2012

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:

Name, qualifications, independence status and special responsibilities

Barry Frederick Nazer, BBus, FCPA, FFin, ANZIF (Fellow), FAICD
Independent non-executive director
Chairman of audit and risk committee; member of nomination committee

Experience and other directorships

Mr Nazer was appointed as a director of the Company in September 2003. He is a non-executive director of VDM Group Limited and M G Kailis Group.

Mr Nazer had 13 years of experience in engineered wood products manufacturing and distribution which included the positions of Chief Financial Officer (CFO) of Wesbeam Holdings Limited and CFO of WESFI Limited. He had 20 years of experience in the banking industry which included almost 9 years as CFO of Bank of Western Australia Limited (BankWest). Other prior experience includes 10 years in the insurance industry.

Other listed company directorships held during the past 3 financial years:

VDM Group Limited from 1 October 2008 to current.

John Harold Nickson, B.Ec, CPA, FAICD
Independent non-executive director
Chairman of remuneration committee; member audit and risk committee

Mr Nickson was appointed a director of the Company in November 2007. He has over 43 years experience in the finance industry, including 35 years at Goldman Sachs JBWere (formerly J B Were and Son) until retiring in 2004. He was a Director/Partner for over 20 years.

For 28 years Mr Nickson specialised in corporate advice and finance, working closely with a wide range of listed and to be listed corporations, both public and private, many in Western Australia. He is a director of a number of private companies and a committee member of a medical research institute.

He held no other listed company directorships during the past 3 financial years.

Coventry Group Ltd
Directors' report
For the year ended 30 June 2012

1. Directors (continued)

Information on Directors (continued)

Name, qualifications, independence status and special responsibilities

Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD, AusIMM
Independent non-executive director
Member of audit and risk, remuneration and nomination committees

Experience and other directorships

Mr Perry was appointed a director of the Company in September 2009. He was Chief Executive Officer of VDM Group Limited, a publicly listed Australian engineering, construction and contracting business until March 2011. Prior to this appointment in February 2010, Mr Perry was the Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry has over 15 years' experience in senior management roles, including serving as President of Rio Tinto Group's Taiwanese steel mill and as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. Subsequently he worked for Resource Finance Corporation, a private merchant and investment bank specialising in the natural resources sector. Mr Perry is also a member of various private boards.

Other listed company directorships held during the past 3 financial years:

Brandrill Limited from 16 August 2002 to 16 December 2009

Roger Baden Flynn, B.Eng (Hons), MBA, FIE (Aust), FAICD
Executive Chairman
Chairman of nomination committee

Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is a former director of Hills Holdings Limited, Watty Limited and Longreach Group Ltd and has had 44 board years experience on 6 listed companies.

Other listed company directorships held during the past 3 financial years:

Hills Holdings Limited from 1999 to 4 November 2011

Vince Scidone, BBus, AFAIM, AAICD
Executive director

Mr Scidone was appointed an executive director of the Company in February 2008. He joined the Company in 1996 as Group Marketing Manager and was appointed the Group General Manager, Industrial in 1997. He is General Manager of the Company's Fastener business.

Mr Scidone has a strong background in the steel, fastener and industrial industries having worked for BHP Steel, Email Limited and Ajax Fasteners.

He held no other listed company directorships during the past 3 financial years.

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2012

1. Directors (continued)

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:

	<u>Number of</u> <u>Ordinary Shares</u>	<u>Number of</u> <u>Options (Unlisted)</u>
BF Nazer	104,420	-
JH Nickson	107,653	-
KR Perry	-	-
RB Flynn	250,496	850,000
V Scidone	29,487	250,000

During the 2011/12 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, except as follows:

- Mr RB Flynn, who has a service contract with the Company which entitles him to benefits in the Company as disclosed in the Remuneration Report section of this report.
- Mr V Scidone, who has an employment contract with the Company which entitles him to benefits in the Company as disclosed in the Remuneration Report section of this report.

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 2012, and the number of meetings attended by each director.

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
BF Nazer	14	14	4	4	-	-	1	1
JH Nickson	14	13	4	4	2	2	-	-
KR Perry	14	13	4	4	2	2	1	1
RB Flynn	14	14	-	-	-	-	1	1
V Scidone	14	13	-	-	-	-	-	-

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.

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2012

2. Principal activities

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

Fasteners

- distribution and marketing of industrial fasteners, stainless steel fasteners and hardware, construction fasteners, specialised fastener products and systems, and associated industrial tools and consumables

Fluids

- 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 repairs

Hardware

- importation, distribution and marketing of hardware, components and finished products to the domestic and commercial furniture, cabinet making, joinery and shop fitting industries; office chair components.

Gasket Manufacturing

- manufacture and distribution of automotive and industrial gaskets.

Automotive

- This business was sold on 1 July 2011 and is reported in the notes to the financial statements as a discontinued operation.

3. Consolidated results

Results of the Group for the year ended 30 June 2012 were as follows:

<i>In thousands of AUD</i>	2012	2011
Continuing operations		
Revenue from sale of goods	242,864	229,365
Profit/(loss) before tax	21,246	(16,065)
Income tax expense	(4,377)	(1,298)
Profit/(loss) from continuing operations for the year	16,869	(17,363)
Discontinued operations		
Revenue from sale of goods	557	166,839
Profit/(loss) before tax	3,057	(1,851)
Income tax expense	(918)	2,395
Profit/(loss) from discontinued operations for the year	2,139	544
Profit/(loss) for the year	19,008	(16,819)
Profit/(loss) for the year attributable to:		
- equity holders of the Company	18,524	(17,341)
- minority interest	484	522
Profit/(loss) for the year	19,008	(16,819)

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2012

4. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Paid during the year 2012	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Second Interim 2011 Ordinary Dividend ⁽ⁱⁱ⁾	5.0	2,002	Fully Franked	08 July 2011
Final 2011 Ordinary Dividend	11.0	4,380	Fully Franked	23 September 2011
Interim 2012 Ordinary Dividend	11.0	4,211	Fully Franked	20 March 2012
Total Amount		<u>10,593</u>		

Payable after end of year	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Final 2012 Ordinary Dividend ⁽ⁱ⁾	11.0	4,162	Fully Franked	21 September 2012
		<u>4,162</u>		

⁽ⁱ⁾ The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2012, as it was declared after the year end, and will be recognised in subsequent financial reports.

⁽ⁱⁱ⁾ Declared in the year ended 30 June 2011.

Coventry Group Ltd
Directors' report
For the year ended 30 June 2012

5. Review of operations and results

The Group recorded a profit before tax from continuing operations of \$21.2 million compared to a loss of \$16.1 million for the previous comparative period after the impairment of goodwill. The profit after tax derived from continuing operations was \$16.9 million compared to a loss of \$17.4 million for the prior period. The profit after tax of \$19.0 million (loss of \$16.8 million – 30 June 2011) represents the results of all the Group's operations.

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

- out of the 19 properties associated with the disposed auto businesses, 18 were sold by 30 June 2012 and all had settled by the date of this release. The sales generated a profit of \$11.0m and cash inflows of \$20.9m.
- strong performances were achieved in the Fluids and Gaskets businesses delivering a profit before tax and financing of \$14.7 million (\$10.3 million – 30 June 2011), up 43.2% compared to the prior comparative period.

During the period trading conditions in the Fasteners and the Hardware businesses remained difficult with intense competitive pressure. The reportable loss before finance costs, income tax and material non-cash items improved to \$1.3 million (loss of \$2.5 million – 30 June 2011). Management remains focused on improvements in these businesses through cost reduction and customer service developments.

The Group net cash position improved significantly to \$55.0 million (\$7.1 million - 30 June 2011). This was due to:

- the disposal of the WA auto business to AHG generating \$28.9 million;
- the proceeds from the sale of 18 properties generating \$20.9 million; and
- operating activities generating \$18.2 million (\$7.6 million - 30 June 2011).

These strong cash inflows allowed \$15.8 million of cash to be returned to shareholders through dividends and share buy backs in the year (\$5.8 million – 30 June 2011).

Net tangible assets per share increased by 33 cents in the period to \$3.71 (\$3.38 - 30 June 2011).

Business units performance review

Fasteners

Sales for the Fasteners business declined by 1.6% to \$124.7 million compared to the previous comparative period. The loss before interest and tax was \$0.6 million compared with a loss of \$2.0 million in the previous comparative period, excluding the charge for impairment of goodwill. In the prior period a charge against goodwill of \$21.1 million was recorded due to poor trading conditions and outlook for the business.

Management focus and initiatives have led to an increase in margins at a gross profit level and a reduction in the cost base of the business. This has been achieved by focusing on increased efficiency, the streamlining of processes and cost management within the business. The launch of a new sales management plan and the introduction of technology continues to be rolled out across the branch network. The 'Bolt Shop', an on-line product catalogue and purchasing site, continues to grow and is one of a series of initiatives to further improve customer relationships.

Fluids

Sales for the Fluids business increased by 27.6% to \$80.6 million compared to the previous comparative period. Profit before interest and tax was \$12.2 million - up 60% on the previous comparative period. The result was driven by strong demand from the resources sector in the three states the business operates in - Queensland, Western Australia and South Australia.

The Fluids business has achieved significant levels of organic growth, with continued strong demand from the resources sector. The focus on quality and customer relationships that was driven into the business three years ago has been a strong positive factor in this growth. In this past year product and market extension has been a key focus of the business, which has been well supported by the major customers.

In March the Group bought Fluidrive Pty Ltd, a Gladstone based distributor of hydraulic equipment. The business has been successfully integrated into the Fluids business and is performing strongly. The Group continues to explore other opportunities to purchase companies operating in the Fluids space. Additionally, after a review of its geographic footprint the Group decided to open a branch in the key Mt. Isa region; resulting in a network of 8 branches for the business.

Coventry Group Ltd

Directors' report

For the year ended 30 June 2012

5. Review of operations and results (continued)

Business units performance review (continued)

Hardware

Sales for the Hardware business declined by 8.6% to \$24.6 million compared to the previous comparative period. The business recorded a loss before interest and tax of \$2.8 million (loss \$1.2 million – 30 June 2011) which included a material write down of inventory by \$1.6 million.

During the year new management was brought in to run the business. The focus brought by this management team has delivered a sizable reduction in inventory and number of product lines, reducing cash tied up in the business and increasing operating and warehouse efficiency. Although the cost base is less, more internal resources are now allocated to 'customer facing' activities. By 30 June 2012 delivery KPI's had been increased and the focus of the business had transitioned from internal improvement to sales growth. The more efficient business will be able to take advantage of emerging opportunities as they appear in the market.

Gaskets

Sales for the Gaskets business increased by 2.4% to \$12.8 million compared to the previous comparative period. The business recorded a profit before interest and tax of \$2.5 million, down marginally on the result achieved in the previous comparative period of \$2.7 million. The business continues to benefit from the market differentiation they deliver through quality and the breadth of product range.

Managed System Services

In October 2011, Managed System Services Pty Ltd, a wholly owned subsidiary, was established. The entity is marketing the Group's IT service capability and seeking to take advantage of opportunities in the IT sector. To date the entity has secured customers in the education, financial services and distribution sectors.

6. Earnings per share

Basic profit per share for the year ended 30 June 2012 was 47.8 cents. This compares to a basic (loss) per share of (43.4) cents for the previous year.

7. Significant change in the company's affairs

The directors are not aware of any significant change in the Group's state of affairs that occurred during the financial year not otherwise disclosed in this report or the consolidated accounts.

8. Events subsequent to reporting date

The directors are not aware of any matter or circumstance having arisen since the end of the financial year and the date of this report that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

The Group will continue to evaluate and look for opportunities to grow its business. It will actively pursue strategic acquisitions if they fit with the core business of the Group and have the potential to increase and maximise shareholder wealth. The Group is also actively seeking to organically grow its existing business units and restore the profitability of the Fastener and Hardware businesses.

In the opinion of directors it would be prejudicial to the Group's interests if any further information on likely developments and expected results of operations was included in this report.

Coventry Group Ltd
Directors' report
For the year ended 30 June 2012

10. Remuneration report

Remuneration is referred to as compensation throughout this remuneration report.

The LTI valuation figures (in sub-section 10.2 below) are as a result of a legally mandated calculation method which ascribes a valuation to market price options with hurdle conditions which are in excess of what directors consider to be a fair free market value at which such options could have been valued at and sold in a free and fair market.

Sub-sections 10.1 to 10.7 of the remuneration report have been audited by the Company's external auditor, KPMG.

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:

Non-executive directors

BF Nazer
JH Nickson
KR Perry

Executive directors

RB Flynn, Executive Chairman
V Scidone, Director and General Manager, Fasteners

Executives

AP Hockley, Chief Financial Officer ⁽ⁱ⁾
KS Smith, Chief Financial Officer ⁽ⁱⁱ⁾

⁽ⁱ⁾ Resigned as CFO on 14 April 2012

⁽ⁱⁱ⁾ Appointed CFO on 14 April 2012

Coventry Group Ltd
Directors' report
For the year ended 30 June 2012

10. Remuneration report (continued)

10.2 Principles used to determine the nature and amount of compensation

Non-executive directors

Fees paid to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Remuneration Committee. Non-executive directors do not receive any equity-based compensation.

Directors' fees

Non-executive directors' 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 per annum, which 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 nor are bonuses paid to non-executive directors. There is no provision for retirement allowances to be paid to non-executive directors.

As at 30 June 2012 the non-executive directors fees were allocated as follows (does not include statutory superannuation contributions):

	\$
Chairman (base fee) ⁽ⁱ⁾	nil
Non-executive Directors (base fee)	76,000
Interstate Non-executive Director (base fee)	87,000
Chairman of Audit & Risk Committee (in addition to base fee)	15,000
Chairman and Member of Remuneration Committee (in addition to base fee)	5,000

⁽ⁱ⁾ The Company has an Executive Chairman who is paid a salary but no separate director fees.

Executive pay

The objective of the Company's executive reward framework is to ensure that rewards properly reflect duties and responsibilities, are competitive in retaining and motivating people of high calibre, and are appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The framework provides a mix of fixed and variable pay, and has three components as follows:

- base pay and benefits, including superannuation ("fixed annual compensation");
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the executive's total compensation. This compensation framework also applies to executive directors.

The total compensation of the Executive Chairman reflects the combination of duties fulfilled as Chairman of the Board and as Managing Director of the Company

Coventry Group Ltd

Directors' report

For the year ended 30 June 2012

10. Remuneration report (continued)

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

Fixed annual compensation

Fixed annual compensation is structured as a total employment cost package which is delivered as a mix of cash and prescribed non-cash benefits partly at the executive's discretion. Fixed annual compensation for senior executives is reviewed annually by the Remuneration Committee to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed fixed annual compensation increases set in any senior executive's contract.

The non-cash benefits received as part of fixed annual compensation include the provision of a fully maintained motor vehicle and contributions to accumulation based superannuation funds.

Performance linked compensation

Short-term incentives

Short-term cash incentives of up to 25% of fixed annual compensation (35% for the Executive Chairman) are payable to the senior executives upon the achievement of various annual performance targets, which currently include net profit after tax, dividends paid, changes in share price and other key performance indicators (for certain executives on a consolidated basis and for others on a business unit basis). Such targets ensure that incentives are principally paid when value has been created for shareholders and when profit is above the budget. Discretionary bonuses may be paid when authorised by the Remuneration Committee.

Each year the Remuneration Committee considers the appropriate targets and maximum payouts under the short-term incentive plan for recommendation to the Board. Incentive payments may be adjusted up or down by the Board in line with the degree of achievement against target performance levels.

Long-term incentives

Long term incentives are provided to senior management, including key management personnel, through the Executive Long Term Incentive Plan ("ELTIP") which was approved by shareholders at the 2003 annual general meeting.

In November 2007, options over unissued ordinary shares in the Company were granted to the executive directors and senior executives.

The terms upon which the options over unissued shares were issued are as follows:

- the exercise price of the options is \$3.88, which is the volume weighted average price ("VWAP") at which the shares in the Company traded on the ASX during the 30 day period following the release of the Company's audited accounts for the year ended 30 June 2007 plus 10%;
- the options have a term of 5 years from the date of issue and options not exercised by the end of that period will lapse;
- the options may only be exercised if the price of the Company's shares on ASX (determined by reference to a 5 day VWAP) exceeds certain percentages of growth relevant to the underlying spot price (\$3.65), in particular:
 - (i) one third of the options can be exercised if the 5 day VWAP exceeds the underlying spot price of the options by 15%;
 - (ii) one third of the options can be exercised if the 5 day VWAP exceeds the underlying spot price of the options by 30%; and
 - (iii) one third of the options can be exercised if the 5 day VWAP exceeds the underlying spot price of the options by 45%.

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2012

10. Remuneration report (continued)

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

In September and October 2010, options over unissued shares in the Company were issued to senior executives and executive directors. The terms upon which the options over unissued shares were issued are as follows:

- the exercise price of the options is \$2.27, which is the volume weighted average price ("VWAP") at which the shares in the Company traded on the ASX during the 20 day period following the release of the Company's audited accounts for the year ended 30 June 2010;
- the options have a term of 3 years from the date of issue and options not exercised by the end of that period will lapse; and
- one third of the options may be exercised if the earnings per share (defined in ELTIP rules to be the net profit after tax adjusted in the discretion of the Board to take account of significant or unusual items and then divided by the number of shares on issue) has grown over the period from the first full financial year prior to granting the options to the last full financial year preceding the exercise of the option at a compound annual rate of at least 8% whilst a further third may be exercised on achieving each of the 10% and 12% thresholds for the same period. The testing period will be the three years following the financial year ended 30 June 2010 or such shorter time as the Board may subsequently determine.

The purpose of the issue of the options is to provide executive management with a strong incentive by aligning their rewards with the return to shareholders measured by the performance of the Company's share price.

Shares vested under the ELTIP will rank equally with all other existing ordinary shares in all respects, including having full dividend and voting rights.

Consequences of performance on shareholder wealth

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

	2012	2011	2010	2009	2008
	\$	\$	\$	\$	\$
Profit/(loss) attributable to equity holders of the Company	18,524,000	(17,341,000)	6,474,000	(1,416,000)	6,522,000
Dividends paid	10,593,000	5,594,000	4,361,000	-	-
Change in share price	0.35	0.45	0.94	(1.00)	(2.59)

Profit is considered as one of the financial performance targets in setting the short term incentives. The profit/(loss) amounts for years 2006 onwards have been calculated in accordance with Australian equivalents to IFRS (AIFRS).

The overall level of KMP compensation takes into account the performance of the Group. As can be seen the profit/(loss) attributable to equity holders has shown no consistent pattern in the last five years however the results in each year have been influenced by individually material items often of a non-recurrent or non-cash nature.

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2012
 10. Remuneration report (continued)

10.3 Details of compensation

The following table provides the details, nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2012.

Name	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration
	Cash salary and fees	STI cash bonus	Non-monetary benefits							
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-executive Directors										
BF Nazer	91,000	-	-	8,190	-	-	-	99,190	-	-
JH Nickson	50,280	-	-	50,000	-	-	-	100,280	-	-
KR Perry	81,000	-	-	7,290	-	-	-	88,290	-	-
Total	222,280	-	-	65,480	-	-	-	287,760		
Executive Directors										
RB Flynn	809,033	-	-	38,663	(6,826)	94,898	-	935,768	10.1%	10.1%
V Scidone	425,749	-	17,916	25,000	6,790	33,537	-	508,992	6.6%	6.6%
Total	1,234,782	-	17,916	63,663	(36)	128,435	-	1,444,760		

⁽¹⁾ Includes statutory superannuation contributions and additional voluntary contributions in some cases.

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2012
 10. Remuneration report (continued)

10.3 Details of compensation (continued)

Name	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration
	Cash salary and fees	STI cash bonus	Non-monetary benefits							
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Other key management personnel										
AP Hockley ⁽ⁱ⁾	146,181	168,000	-	38,535	2,264	32,690	-	387,670	51.8%	8.4%
KS Smith ⁽ⁱⁱⁱ⁾	41,197	-	-	3,944	70	-	-	45,211	-	-
Total	187,378	168,000	-	42,479	2,334	32,690	-	432,881		
Total compensation key management personnel	1,644,440	168,000	17,916	171,622	2,298	161,125	-	2,165,401		

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 in some cases.

⁽ⁱⁱ⁾ Resigned as Chief Financial Officer on 14 April 2012

⁽ⁱⁱⁱ⁾ Appointed Chief Financial Officer on 14 April 2012

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2012
10. Remuneration report (continued)

10.3 Details of compensation (continued)

The following table provides the details, nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2011.

Name	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration		
	Cash salary and fees	STI cash bonus	Non-monetary benefits								Super-annuation (i)	Long service leave provision
Non-executive Directors												
BF Nazer	91,000	-	-	8,190	-	-	-	99,190	-	-	-	-
JH Nickson	50,280	-	-	50,000	-	-	-	100,280	-	-	-	-
KR Perry	81,000	-	-	7,290	-	-	-	88,290	-	-	-	-
Total	222,280	-	-	65,480	-	-	-	287,760				
Executive Directors												
RB Flynn	825,049	35,300	-	25,959	-	58,564	-	944,872	6.2	6.2	6.2	6.2
V Scidone	423,112	10,000	18,177	23,929	20,779	14,450	-	510,447	2.8	2.8	2.8	2.8
Total	1,248,161	45,300	18,177	49,888	20,779	73,014	-	1,455,319				

(i) Includes statutory superannuation contributions and additional voluntary contributions in some cases.

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2012
 10. Remuneration report (continued)

10.3 Details of compensation (continued)

Name	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration
	Cash salary and fees	STI cash bonus	Non-monetary benefits							
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Other key management personnel</i>										
AP Hockley	287,551	15,100	-	51,930	-	12,834	-	367,415	3.5	3.5
MW Ridley	255,728	10,000	19,291	47,592	-	12,834	-	345,445	3.7	3.7
MJ Hurley	321,180	60,000	5,705	19,871	-	6,130	-	412,886	1.5	1.5
BN Carter ⁽ⁱⁱ⁾	180,421	40,475	12,186	24,887	33,942	2,280	-	294,191	0.8	0.8
JE Robinson ⁽ⁱⁱⁱ⁾	112,667	-	-	5,715	(19,241)	-	-	99,141	-	-
J Colli	147,524	6,000	-	11,961	(4,022)	3,352	-	164,815	2.0	2.0
Total	1,305,071	131,575	37,182	161,956	10,679	37,430	-	1,683,893		
Total compensation key management personnel	2,775,512	176,875	55,359	277,324	31,458	110,444	-	3,426,972	-	-

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 in some cases.

⁽ⁱⁱ⁾ Became a relevant group executive during 30 June 2011 for the purposes of section 300A (1)(c) of the Corporations Act 2001

⁽ⁱⁱⁱ⁾ Ceased being a relevant group executive during 30 June 2011 for the purposes of section 300A (1)(c) of the Corporations Act 2001

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2012

10. Remuneration report (continued)

10.4 Analysis of bonuses included in compensation

Short-term incentive bonuses were awarded as compensation to the senior executives during the year ended 30 June 2012 on the basis of performance against pre-determined criteria. A bonus was paid to Mr Hockley as a result of the successful conclusion of a major corporate transaction. Other senior executives were paid discretionary bonuses authorised by the Remuneration Committee.

10.5 Service contracts

Compensation and other terms of employment for the Executive Chairman and other key management personnel are formalised in employment contracts. Each contract deals with the provision of fixed annual compensation, short-term incentives, and long-term incentives. Other major provisions of the contracts relating to compensation are set out below:

RB Flynn, Executive Chairman

- The contract has no fixed term.
 - Fixed annual compensation to be reviewed annually by the Board.
 - 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 12 months notice by the Company. In the event that the Company no longer requires Mr Flynn to report directly to the Board or if the Company no longer requires Mr Flynn to carry out the normal functions of Managing Director, the Company must pay the equivalent of the fixed annual compensation as a redundancy payment.

V Scidone, Executive Director and General Manager, Fasteners

- 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.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

KS Smith, 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.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 8 weeks notice by the Company.

10.6 Services from remuneration consultants

The Board Remuneration Committee engaged Gerard Daniels as remuneration consultant to the Board to review the amount and elements of compensation of the KMPs remuneration and provide recommendations in relation thereto. It was agreed a fee of \$20,000 be paid to Gerard Daniels in respect of reviewing the amounts and elements of the KMPs remuneration.

The Board is satisfied that the remuneration recommendations were made by Gerard Daniels free from undue influence by KMPs about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by Gerard Daniels during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence. These inquiries included arrangements under which Gerard Daniels was required to provide the Board with a summary of the way in which it carried out its work, the details of its interaction with KMPs in relation to the assignment and other services, and the responses to questioning by members of the Board after the completion of the assignment.

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2012

10. Remuneration report (continued)

10.7 Options over shares granted as compensation

Options that have been granted, subject to vesting conditions, to date are disclosed in note 18 of the full financial report. During the period ended 30 June 2012, no options were granted, vested, exercised or lapsed. The number of options forfeited during the year ended 30 June 2012 was 200,000 (2011: nil). There were 1,650,000 (2011: 1,850,000) options outstanding as at the year ended 30 June 2012.

11. Environmental regulation

The Group is not subject to any specific environmental regulation.

The Group mainly operates 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 2012 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 as disclosed on pages xx to xx of the Concise Annual Report sets out the Company's main corporate governance practices throughout the financial year and as at the date of this report.

14. Share options

Options granted to directors and key management personnel

Options that have been granted, subject to vesting conditions, to date are disclosed in note 18 of the full financial report. No options were vested, exercised or lapsed during and since the end of the reporting period. The number of options forfeited during the year ended 30 June 2012 was 200,000 (2011: nil).

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2012

15. 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 in accordance with written advice provided by resolution of the Audit and Risk Committee, 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.

16. Lead auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 76 and forms part of this directors' report.

17. Company secretary

Mr John Colli (AAICD) was appointed to the position of Company Secretary in November 1998. Mr Colli previously held the role of company secretary for the former listed company Challenge Bank Limited for seven years.

18. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.



R B Flynn
Executive Chairman

Perth
27 August 2012

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 2 to 74, 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 2012 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 executive chairman and chief financial officer for the financial year ended 30 June 2012 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



R B Flynn
Executive Chairman

Perth
27 August 2012



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

To: the directors of Coventry Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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.

KPMG

Denise McComish
Partner

Perth

27 August 2012



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

Report on the financial report

We have audited the accompanying financial report of Coventry Group Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in paragraph 10.1 to 10.7 of the directors' report for the year ended 30 June 2012. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Coventry Group Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Denise McComish
Partner

Perth

27 August 2012