Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market

Full Year Ended 30 June 2010

			$000
Revenues from ordinary activities	Down	6.2% to	393,103
Profit from ordinary activities after tax attributable to members	Up	557.2% to	6,474
Net profit for the period attributable to members	Up	557.2% to	6,474

Dividends (distributions)

	Amount per security	Franked amount per security
Final dividend[1]	8 cents	8 cents
Date the dividend is payable	21 September 2010	
Record date for determining entitlements to the dividend	6 September 2010	

[1] The final dividend was declared by the Directors of the Company on 19 July 2010.

Amount of dividend per security

		Amount per security	Franked amount per security at 30% tax
Final dividend	current year	8 cents	8 cents
	previous year	5 cents	5 cents
Interim dividend	current year	6 cents	6 cents
	previous year	Nil	Nil
Total dividend	current year	14 cents	14 cents
	previous year	5 cents	5 cents

Dividend reinvestment plan (DRP)

The Company's DRP has been suspended in relation to the dividend declared on 19 July 2010 and payable on 21 September 2010.

Net Tangible Assets Per Security

As at 30 June 2010	$3.39
As at 30 June 2009	$3.30

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 2010

Coventry Group Ltd and its controlled entities

Coventry Group Ltd and its controlled entities
Statement of comprehensive income

For the year ended 30 June 2010

In thousands of AUD	**Note**	**Consolidated 2010**	**2009** Re-presented
Continuing operations			
Revenue from sale of goods		393,103	419,096
Cost of sales		(240,551)	(253,722)
Gross profit		152,552	165,374
Other revenue		2,402	2,357
Other income	*3*	2,014	11,226
Employee benefits expense	*6*	(86,638)	(97,537)
Depreciation and amortisation expenses		(3,954)	(3,841)
Occupancy costs		(12,223)	(11,840)
Communication costs		(2,778)	(3,294)
Freight		(8,327)	(9,297)
Impairment of goodwill	*17*	-	(6,880)
Other expenses		(32,380)	(39,544)
Profit before financing costs		10,668	6,724
Financial income	*7*	324	403
Financial expenses	*7*	(1,467)	(3,516)
Net financing costs		(1,143)	(3,113)
Profit before income tax		9,525	3,611
Income tax expense	*8*	(2,821)	(2,790)
Profit from continuing operations for the year		6,704	821
Discontinued operation			
Profit/(loss) from discontinued operations (net of income tax)	*26*	271	(1,826)
Profit/(loss) for the year		6,975	(1,005)
Other comprehensive income/(loss)			
Effective portion of changes in the fair value of cash flow hedges		218	(2,352)
Net change in fair value of cash flow hedges transferred to profit or loss		577	287
Foreign currency translation differences		191	351
Income tax (expense)/recovery on other comprehensive income/(loss)		(298)	515
Other comprehensive income/(loss) for the year, net of income tax		688	(1,199)
Total comprehensive income/(loss) for the year		7,663	(2,204)
Profit/(loss) attributable to:			
Equity holders of the Company		6,474	(1,416)
Minority interest		501	411
Profit/(loss) for the year		6,975	(1,005)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		7,167	(2,615)
Minority interest		496	411
Total comprehensive income/(loss) for the period		7,663	(2,204)
Earnings per share:			
Basic earnings/(loss) per share:	*9*	16.3 cents	(3.6) cents
Diluted earnings/(loss) per share:	*9*	16.3 cents	(3.6) cents
Continuing operations			
Basic earnings per share:		15.6 cents	1.0 cents
Diluted earnings per share:		15.6 cents	1.0 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 2010

In thousands of AUD	*Note*	Consolidated 2010	2009 Re-presented
Total equity at the beginning of the financial year		170,384	172,892
Total comprehensive income for the period			
Profit/(loss) for the year		6,975	(1,005)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax		152	(1,645)
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax		402	200
Foreign currency translation differences, net of tax		134	246
Total other comprehensive income		688	(1,199)
Total comprehensive income for the period	23	7,663	(2,204)
Transactions with owners, recorded directly in equity			
Own shares acquired		(338)	-
Share based payment transactions		70	54
Dividends to equity holders		(4,361)	-
Dividends paid to minority interests in controlled entities		(481)	(358)
Dividend re-investment – share issues		1,104	-
Total transactions with owners		(4,006)	(304)
Total equity at the end of the financial year	23	174,041	170,384

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 2010

In thousands of AUD	*Note*	Consolidated 2010	2009
Assets			
Cash and cash equivalents	*10*	5,730	5,071
Trade and other receivables	*11*	63,978	64,099
Inventories	*12*	82,633	91,419
Income tax receivable	*13*	31	802
Total current assets		152,372	161,391
Deferred tax assets	*15*	11,756	14,042
Property, plant and equipment	*16*	27,049	28,850
Intangible assets	*17*	36,109	37,668
Total non current assets		74,914	80,560
Total assets		227,286	241,951
Liabilities			
Trade and other payables	*18*	38,793	35,444
Interest bearing loans and borrowings	*19*	812	-
Employee benefits	*20*	10,242	10,620
Income tax payable	*13*	278	220
Provisions	*22*	778	887
Total current liabilities		50,903	47,171
Interest bearing loans and Borrowings	*19*	-	20,213
Employee benefits	*20*	1,721	2,034
Derivatives liability		-	893
Provisions	*22*	621	1,256
Total non current liabilities		2,342	24,396
Total liabilities		53,245	71,567
Net assets		174,041	170,384
Equity			
Issued capital	*23*	113,442	112,676
Reserves	*23*	24,377	23,367
Retained earnings	*23*	33,497	31,631
Total equity attributable to equity holders of the Company	*23*	171,316	167,674
Minority interest	*23*	2,725	2,710
Total equity	*23*	174,041	170,384

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 2010

In thousands of AUD	*Note*	Consolidated 2010	2009
Cash flows from operating activities			
Cash receipts from customers		434,806	498,053
Cash paid to suppliers and employees		(410,355)	(477,142)
Cash generated from operations		24,451	20,911
Interest paid		(1,209)	(3,203)
Income taxes received/(paid)		(81)	766
Net cash from operating activities	*28*	23,161	18,474
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,340	16,696
Interest received		45	103
Acquisition of business, net of cash acquired		-	(80)
Acquisition of property, plant and equipment	*16*	(1,986)	(981)
Acquisition of intangible assets	*17*	(93)	(3,192)
Net cash from investing activities		1,306	12,546
Cash flows from financing activities			
Proceeds from borrowings		15,262	7,000
Repayment of borrowings		(34,684)	(35,885)
Payments for share buy-back		(338)	-
Payments for settlement of derivatives		(310)	-
Dividends paid	*23*	(3,257)	-
Dividends paid to outside equity interests	*23*	(481)	(358)
Net cash used in financing activities		(23,808)	(29,243)
Net increase in cash and cash equivalents		659	1,777
Cash and cash equivalents at 1 July		5,071	3,294
Cash and cash equivalents at 30 June	*10*	5,730	5,071

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

1. Significant accounting policies

Coventry Group Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is at 525 Great Eastern Highway Redcliffe WA 6104 Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 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 2010.

(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 and the financial report of the Company comply 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 Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of 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 Australian Accounting Standards 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(z).

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

1. Significant accounting policies (continued)

(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.

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) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non owner changes in equity are presented in the consolidated statement of comprehensive income.
Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(e) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial instruments

(f) 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 income statement. 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. Since 1 July 2004, the Group's date of transition to AASB's, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

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.

1. Significant accounting policies (continued)

(g) Derivative financial instruments

The Group uses 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 income statement. 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(g)).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(h) 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.

<u>Cash flow hedges</u>
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.

1. Significant accounting policies (continued)

(h) Hedging (continued)

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 income statement 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 income statement.

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 income statement.

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 income statement.

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 income statement.

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 income statement for the period.

(i) 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.

(j) 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.

1. Significant accounting policies (continued)

(k) Trade and other receivables

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

(l) 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.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 when that cost is incurred, if 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 income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement 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:

Class of Fixed Asset	Depreciation Rate
- 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.

1. Significant accounting policies (continued)

(m) Intangible assets

Goodwill

As from 1 July 2009, the Group has adopted the revised AASB 3 Business Combinations and the amended AASB 127 Consolidated and Separate Financial Statements. Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009. The change in accounting policy had no material impact on earnings per share.

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, distribution rights were estimated to have a useful life of 10 years and computer software was estimated to have a useful life of 3 to 12 years.

1. Significant accounting policies (continued)

(n) 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.

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 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, 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 cash generating units 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 cash generating unit 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.

1. Significant accounting policies (continued)

(o) 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 income statement over the period of the borrowings on an effective interest basis.

(p) Employee benefits

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 income statement.

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 is 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.

(q) 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.

1. Significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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 income statement on a straight line basis over the term of the lease.

(t) Operating lease payments

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

(u) 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 income statement (see accounting policy 1(g)). Borrowing costs are expensed as incurred and included in net financing costs.

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

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

(v) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transition requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

1. Significant accounting policies (continued)

(v) Segment reporting (continued)

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 Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director 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.

(w) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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.

1. Significant accounting policies (continued)

(w) 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.

(x) 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.

(y) 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.

(z) 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(j) – significant accounting policies – inventories
- Note 1(w) – significant accounting policies – income tax
- Note 17 – measurement of the recoverable amount of cash generating units containing goodwill
- Note 24 – allowance for trade receivable impairment losses

(aa) 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 income statement is restated as if the operation had been discontinued from the start of the comparative period.

1. Significant accounting policies (continued)

(ab) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash settled Share based Payment* Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI Scope of AASB 2 and AI 11 AASB 2 Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* (AASB 132) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14* make amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

2. Segment reporting

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Managing Director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Automotive Parts Distribution*: Includes distribution of automotive parts
- *Industrial Products Distribution*: Includes distribution of fasteners, fluid hydraulics and hardware products
- *Gaskets Manufacturing*: 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 Group's Managing Director. 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.

2. Segment reporting (continued)

Business Segments	Automotive parts distribution		Industrial products distribution		Gasket manufacturing		Total	
In thousands of AUD	**2010**	2009 *Re-presented*	**2010**	2009 *Re-presented*	**2010**	2009 *Re-presented*	**2010**	2009 *Re-presented*
External sales	166,867	162,555	213,476	245,460	12,760	11,081	393,103	419,096
Other revenue	763	585	1,549	1,288	-	163	2,312	2,036
External revenue	167,630	163,140	215,025	246,748	12,760	11,244	395,415	421,132
Inter segment revenue	29	174	12	372	567	590	608	1,136
Total revenue for reportable segments	167,659	163,314	215,037	247,120	13,327	11,834	396,023	422,268
Depreciation and amortization	807	783	834	892	237	231	1,878	1,906
Reportable segment profit or (loss) before finance costs, income tax and material items	3,394	(2,821)	7,760	11,053	2,563	2,065	13,717	10,297
Redundancy	(126)	(552)	(261)	(539)	-	-	(387)	(1,091)
Restructuring costs	387	(2,609)	(131)	-	-	-	256	(2,609)
Increase in doubtful debt provision	(191)	(350)	(243)	(1,691)	-	-	(434)	(2,041)
Increase in obsolete stock provision	-	(1,617)	(1,292)	(1,347)	-	-	(1,292)	(2,964)
Increase in other provisions	-	81	-	414	-	-	-	495
Impairment loss on goodwill	-	-	-	(6,880)	-	-	-	(6,880)
Impairment loss on property, plant and equipment	-	-	(131)	-	-	-	(131)	-
Reportable segment profit or (loss) before finance costs and income tax	3,464	(7,868)	5,702	1,010	2,563	2,065	11,729	(4,793)
Reportable segment assets	65,167	68,895	111,520	116,425	11,480	11,105	188,167	196,425
Reportable segment liabilities	19,154	19,128	26,539	24,978	1,538	1,249	47,231	45,355
Capital Expenditure	525	47	897	499	159	268	1,581	814

2. Segment reporting (continued)

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

In thousands of AUD	**2010**	2009 *Re-presented*
Revenues		
Total revenue for reportable segments	396,023	422,268
Other revenue	90	321
Elimination of inter segment revenue	(608)	(1,136)
Consolidated revenue	395,505	421,453
Profit or loss		
Total profit/(loss) for reportable segments	11,729	(4,793)
Unallocated amounts: other corporate expenses and income	(674)	8,908
Net finance costs	(1,143)	(3,113)
Consolidated profit before income tax	9,912	1,002
Elimination of discontinued operations	(387)	2,609
Consolidated profit before income tax from continuing operations	9,525	3,611
Assets		
Total assets for reportable segments	188,167	196,425
Other assets	39,119	45,526
Consolidated total assets	227,286	241,951
Liabilities		
Total liabilities for reportable segments	47,231	45,355
Other liabilities	6,014	26,212
Consolidated total liabilities	53,245	71,567

2. Segment reporting (continued)

Other material items 2010

In thousands of AUD	Reportable segment totals	Adjustments	Consolidated totals
Redundancy	387	-	387
Restructuring costs	(256)	-	(256)
Increase in doubtful debt provision	434	-	434
Increase in obsolete stock provision	1,292	-	1,292
Impairment loss on property, plant and equipment	131	-	131
	1,988	**-**	**1,988**

Other material items 2009

In thousands of AUD	Reportable segment totals	Adjustments	Consolidated totals
Redundancy	1,091	86	1,177
Restructuring costs	2,609	-	2,609
Increase in doubtful debt provision	2,041	-	2,041
Increase in obsolete stock provision	2,964	-	2,964
Decrease in other provisions	(495)	-	(495)
Impairment loss on goodwill	6,880	-	6,880
	15,090	**86**	**15,176**

3. Other income

In thousands of AUD	Consolidated 2010	Consolidated 2009
Net gain on disposal of property, plant and equipment	1,890	11,039
Other income	124	187
	2,014	11,226

4. Individually material items included in income statement

Continuing operations

In thousands of AUD	*Note*	Consolidated 2010	Consolidated 2009
Impairment loss on goodwill	*17*	-	(6,880)
Impairment loss on property, plant and equipment		(131)	-
Net gain on sale of land & buildings		2,061	11,337
Redundancy		(387)	(1,177)
Restructuring costs		(131)	-
Additional increase in provisions [(i)]		(1,726)	(4,510)
		(314)	(1,230)

Discontinued operations

In thousands of AUD	*Note*	Consolidated 2010	Consolidated 2009
Restructuring costs	*26*	387	(2,609)
		387	(2,609)

[(i)] Includes increase in stock provision in respect of non recurrent items, $1,292,000 (2009: $2,964,000), increase in doubtful debt provision in respect of non recurrent items, $434,000 (2009: $2,041,000), and decrease in miscellaneous provisions $nil (2009: $495,000).

5. Auditors' remuneration

In AUD	Consolidated 2010	2009
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	255,600	260,600
KPMG New Zealand:		
Audit of financial reports	35,433	34,985
Other services		
Auditors of the Company		
KPMG:		
Project assurance services	-	31,041
Tax services	24,544	18,000
	24,544	49,041

6. Personnel expenses

In thousands of AUD	Consolidated 2010	2009
Wages and salaries	70,874	79,809
Redundancy	387	1,177
Other associated personnel expenses	1,772	1,417
Contributions to superannuation funds	6,431	7,042
Liability for annual leave and long service leave	7,174	8,092
	86,638	97,537

7. Net financing costs

In thousands of AUD	Consolidated 2010	2009
Interest income from other entities	45	103
Net foreign exchange gain	279	300
Financial income	324	403
Interest expense	1,303	3,299
Net change in fair value of financial assets at fair value through profit or loss	(16)	16
Net change in fair value of cash flow hedges	180	201
Financial expenses	1,467	3,516
Net financing costs/(income)	1,143	3,113

8. Income tax expense

Recognised in the income statement

In thousands of AUD	*Note*	Consolidated 2010	2009
Current tax expense			
Current year		911	869
Adjustments for prior years		-	57
		911	926
Deferred tax expense			
Origination and reversal of temporary differences		1,988	1,111
Exchange rate movements on temporary differences brought forward		36	(10)
Effect of tax rates applicable to foreign controlled entity		2	(20)
		2,026	1,081
Income tax expense excluding tax on discontinued operation		2,937	2,007
Income tax expense from continuing operations		2,821	2,790
Income tax expense/ (benefit) from discontinued operations	26	116	(783)
Total income tax expense		2,937	2,007

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD	Consolidated 2010	2009
Profit/(loss) for the period	6,975	(1,005)
Total income tax expense	2,937	2,007
Profit excluding income tax	9,912	1,002
Income tax using the Company's domestic tax rate of 30% (2009: 30%)	2,974	301
Non-deductible expenditure	82	125
Loss on sale of assets	(78)	-
Capital loss on sale of assets	-	(663)
Non-deductible impairment loss	39	2,064
(Over)/under provision in prior periods	(85)	57
Withholding tax non rebatable	-	102
Effect of higher tax rate applicable to foreign controlled entity	5	21
	2,937	2,007

8. Income tax expense (continued)

Income tax recognised directly in equity

In thousands of AUD	Consolidated 2010	2009
Derivatives	237	(622)
Translation reserve	61	107
Total income tax recognised directly in equity	298	(515)

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of $6,474,000 (2009: loss $1,416,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 39,788,000 (2009: 39,406,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

In thousands of AUD	Consolidated 2010 Continuing operations	Discontinued operations	Total	2009 Continuing operations	Discontinued operations	Total
Profit/(loss) for the year	6,203	271	6,474	410	(1,826)	(1,416)
Profit/(loss) attributable to ordinary shareholders	6,203	271	6,474	410	(1,826)	(1,416)

Weighted average number of ordinary shares

In thousands of shares	2010	2009
Issued ordinary shares at 1 July	39,406	39,406
Effect of dividend reinvestment & share buy back	382	-
Weighted average number of ordinary shares at 30 June	39,788	39,406

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2010 was based on profit attributable to ordinary shareholders of $6,474,000 (2009: loss $1,416,000) 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)

In thousands of shares	2010	2009
Weighted average number of ordinary shares at 30 June (basic)	39,788	39,406
Weighted average number of ordinary shares (diluted) at 30 June	39,788	39,406

Earnings per share

Basic (loss)/earnings per share	16.3 cents	(3.6) cents
Diluted (loss)/earnings per share	16.3 cents	(3.6) cents

10. Cash and cash equivalents

In thousands of AUD	Consolidated 2010	Consolidated 2009
Cash on hand	84	99
Bank balances	4,749	4,304
Call deposits	897	668
Cash and cash equivalents	5,730	5,071

The Group has a bank overdraft facility as disclosed at note 19, of which $nil was drawn down at 30 June 2010.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

11. Trade and other receivables

In thousands of AUD	Consolidated 2010	Consolidated 2009
Trade receivables	61,596	61,172
	61,596	61,172
Other receivables	1,115	1,081
Prepayments	1,267	1,846
	2,382	2,927
Total trade and other receivables	63,978	64,099

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 24. Included in "other expenses" in the income statement are impairment losses on trade receivables for the Group of $1,177,000 (2009: $3,473,000). The Group's impairment losses include additional increase in provision of $434,000 for non recurrent items (2009: 2,041,000) which is considered material as disclosed in note 4.

12. Inventories

In thousands of AUD	Consolidated 2010	Consolidated 2009
Finished goods	82,633	91,419
	82,633	91,419

During the year ended 30 June 2010 the write-down of inventories to net realisable value, recognised in "other expenses", amounted to $1,952,000 (2009: $4,712,000) for the Group. The write-down of inventories to net realisable value includes additional increase in provision of $1,292,000 (2009: $2,964,000) which is considered material as disclosed in note 4.

13. Current tax assets and liabilities

The current tax asset for the Group of $31,000 (2009: $802,000) represent 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 $278,000 (2009: $220,000) represents the amount of income taxes payable in respect of current and prior financial periods.

14. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2010 the parent company of the Group was Coventry Group Ltd.

	Company	
In thousands of AUD	**2010**	2009
Results of the parent entity		
Profit for the period	7,559	4,292
Other comprehensive income	556	(1,446)
Total comprehensive income for the period	8,115	2,846
Financial position of parent entity at year end		
Current assets	132,892	141,198
Total assets	220,637	232,758
Current liabilities	47,578	45,077
Total liabilities	49,293	66,004
Total equity of the parent entity comprising of:		
Issued capital	113,442	112,676
Reserves	25,495	24,625
Retained earnings	32,407	29,453
Total equity	**171,344**	**166,754**

The Company has the same contingent liability as disclosed in Note 29 for the Group.

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Trade and other receivables	(662)	(1,493)	27	9	(635)	(1,484)
Derivatives	-	(272)	-	-	-	(272)
Inventories	(3,061)	(3,133)	-	-	(3,061)	(3,133)
Property, plant and equipment	(15)	(6)	1,131	1,203	1,116	1,197
Intangible assets	-	-	2,964	2,950	2,964	2,950
Employee benefits	(3,588)	(3,796)	-	-	(3,588)	(3,796)
Trade and other payables	(431)	(387)	-	-	(431)	(387)
Provisions	(496)	(719)	-	-	(496)	(719)
Translation reserve	(477)	(538)	-	-	(477)	(538)
Tax value of income loss carry forwards recognised	(7,148)	(7,860)	-	-	(7,148)	(7,860)
Tax (assets) / liabilities	(15,878)	(18,204)	4,122	4,162	(11,756)	(14,042)
Set off of deferred tax liability	4,122	4,162	(4,122)	(4,162)	-	-
Net deferred tax asset	(11,756)	(14,042)	-	-	(11,756)	(14,042)

The Group has recognised a deferred tax asset of $11,756,000 (2009: $14,042,000), of which $7,148,000 (2009: $7,860,000) relates to carried forward income tax losses.

15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Consolidated

In thousands of AUD	Balance 1 July 08	Recognised in income	Recognised in equity	Balance 30 June 09	Recognised in income	Recognised in equity	Balance 30 June 10
Trade, other receivables and derivative assets	(965)	(519)	-	(1,484)	849	-	(635)
Derivatives	381	(31)	(622)	(272)	35	237	-
Inventories	(4,203)	1,070	-	(3,133)	72	-	(3,061)
Property, plant and equipment	1,913	(716)	-	1,197	(81)	-	1,116
Intangibles	1,659	1,291	-	2,950	14	-	2,964
Employee benefits	(3,959)	163	-	(3,796)	208	-	(3,588)
Trade and other payables	(215)	(172)	-	(387)	(44)	-	(431)
Provisions	(653)	(66)	-	(719)	223	-	(496)
Translation reserve	(645)	-	107	(538)	-	61	(477)
Tax value of income loss carry forwards recognised	(7,421)	(439)	-	(7,860)	712	-	(7,148)
Tax value of capital loss carry forwards recognised	(530)	530	-	-	-	-	-
	(14,638)	1,111	(515)	(14,042)	1,988	298	(11,756)

16. Property, plant and equipment

	Consolidated		
In thousands of AUD	Land and buildings	Plant and equipment	Total
Cost			
Balance at 1 July 2008	21,177	37,893	59,070
Acquisitions through business combinations	-	60	60
Other acquisitions	-	981	981
Disposals	(5,530)	(1,823)	(7,353)
Effect of movements in foreign exchange	-	30	30
Balance at 30 June 2009	15,647	37,141	52,788
Balance at 1 July 2009	15,647	37,141	52,788
Other acquisitions	10	1,976	1,986
Impairment	-	(226)	(226)
Disposals	(1,393)	(3,262)	(4,655)
Effect of movements in foreign exchange	-	8	8
Balance at 30 June 2010	14,264	35,637	49,901

Valuation

The Group's carrying value of land and buildings at 30 June 2010 is $12,240,000. The Group policy is to obtain independent valuation of freehold land and buildings every 3 years, which was last carried out at March 2008. The valuation of the properties based on March 2008 valuation is $25,912,000. Since March 2008, the value of the properties, when taken in aggregate, may have reduced.

16. Property, plant and equipment (continued)

	Consolidated		
In thousands of AUD	Land and buildings	Plant and equipment	Total
Depreciation and impairment losses			
Balance at 1 July 2008	2,310	20,965	23,275
Depreciation charge for the year	227	2,114	2,341
Disposals	(572)	(1,124)	(1,696)
Effect of movements in foreign exchange	-	18	18
Balance at 30 June 2009	1,965	21,973	23,938
Balance at 1 July 2009	1,965	21,973	23,938
Depreciation charge for the year	193	2,043	2,236
Impairment	-	(95)	(95)
Disposals	(134)	(3,100)	(3,234)
Effect of movements in foreign exchange	-	7	7
Balance at 30 June 2010	2,024	20,828	22,852
Carrying amounts			
At 1 July 2008	18,867	16,928	35,795
At 30 June 2009	13,682	15,168	28,850
At 1 July 2009	13,682	15,168	28,850
At 30 June 2010	12,240	14,809	27,049

<u>Security</u>

As at 30 June 2010, property, plant and equipment with a carrying amount of $24,251,000 (2009: $25,950,000) was subject to various security charges in relation to the Group's finance facilities.

17. Intangible assets

	Consolidated			
In thousands of AUD	Goodwill	Distribution rights	Computer software	Total
Cost				
Balance at 1 July 2008	40,356	641	17,167	58,164
Acquisitions through business combinations	20	-	-	20
Additions	-	-	3,192	3,192
Disposals	-	-	(4)	(4)
Effect of movements in foreign exchange	157	-	2	159
Balance at 30 June 2009	40,533	641	20,357	61,531
Balance at 1 July 2009	40,533	641	20,357	61,531
Additions	-	-	93	93
Impairment	-	-	(2)	(2)
Disposals	-	-	(821)	(821)
Effect of movements in foreign exchange	95	-	-	95
Balance at 30 June 2010	40,628	641	19,627	60,896

17. Intangible assets (continued)

	Consolidated			
In thousands of AUD	Goodwill	Distribution rights	Computer software	Total
Amortisation and impairment losses				
Balance at 1 July 2008	10,321	417	4,748	15,486
Amortisation for the year	-	73	1,427	1,500
Impairment	6,880	-	-	6,880
Disposals	-	-	(4)	(4)
Effect of movements in foreign exchange	-	-	1	1
Balance at 30 June 2009	17,201	490	6,172	23,863
Balance at 1 July 2009	17,201	490	6,172	23,863
Amortisation for the year	-	73	1,645	1,718
Impairment	-	-	(2)	(2)
Disposals	-	-	(792)	(792)
Effect of movements in foreign exchange	-	-	-	-
Balance at 30 June 2010	17,201	563	7,023	24,787
Carrying amounts				
At 1 July 2008	30,035	224	12,419	42,678
At 30 June 2009	23,332	151	14,185	37,668
At 1 July 2009	23,332	151	14,185	37,668
At 30 June 2010	23,427	78	12,604	36,109

17. Intangible assets (continued)

Goodwill Impairment

	Consolidated	
In thousands of AUD	**2010**	**2009**
Impairment of goodwill (i)	-	6,880
	-	6,880

(i) No impairment loss was recognised in 2010. During 2009, impairment losses of $1,300,000, $4,882,000 and $698,000 were recognised to reduce the carrying amount of goodwill of the Australian fasteners, Australian furniture and hardware business, and New Zealand furniture and hardware business respectively, to recoverable amount.

The following units have carrying amounts of goodwill:

	Consolidated	
In thousands of AUD	**2010**	**2009**
Australian fastener distribution	11,832	11,832
New Zealand fastener distribution	9,810	9,715
Multiple units with goodwill	1,785	1,785
	23,427	23,332

The impairment tests for the cash generating units identified above are based on value in use calculations, in which projected pre-tax cash flows for the next five years, together with a terminal value based on long-term growth rates, have been discounted at a pre-tax discount rate ranging between 14.1% and 15.2%. The discount rate was estimated based on an industry average weighted average cost of capital which was based on a possible debt leveraging of 36% (2009: 60%). The projected cash flows are based on detailed operating budgets for the year ending 30 June 2011 approved by the Board, and forecasts for the following four years approved by management. There is no goodwill attributable to the Automotive parts distribution operating segment, the Gaskets operating segment and the Australia, New Zealand cabinet and furniture hardware distribution operating segment.

Beyond the 2011 budgeted cash flows, growth rates ranging between 4% and 6% were applied through to 2015 with terminal value growth rates of 2% and 3% applied in 2016 for Australian and New Zealand units respectively, which is consistent with long term growth forecasts.

17. Intangible assets (continued)

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.

Key assumption sensitivity

For one industrial division, a possible increase of 1% in the discount rate could cause its carrying value to exceed its recoverable amount which would result in an impairment of $1,750,000. A reduction of 4% in sales growth assumptions used to determine budgeted cash flows for the year ended 30 June 2011 would result in an impairment of $2,370,000.

18. Trade and other payables

In thousands of AUD	Consolidated 2010	2009
Trade payables	32,344	27,359
Non trade payables and accrued expenses	6,449	8,068
Derivatives used for hedging	-	17
	38,793	35,444

19. Interest-bearing loans and borrowings

In thousands of AUD	Consolidated 2010	2009
Current		
Bill acceptance facility – secured	812	-
	812	-
Non-current		
Bill acceptance facility – secured	-	20,213
	-	20,213

Financing facilities

	2010	2009
Total facilities available at balance sheet date		
Bank overdraft	7,000	7,000
Bill acceptance facility	33,652	33,617
Guarantee facility	1,012	1,011
Corporate credit card facility	1,125	489
	42,789	42,117
Facilities utilised at balance sheet date		
Bank overdraft	-	-
Bill acceptance facility	812	20,213
Guarantee facility	764	777
Corporate credit card facility	1,125	489
	2,701	21,479
Facilities not utilised at balance sheet date		
Bank overdraft	7,000	7,000
Bill acceptance facility	32,840	13,404
Guarantee facility	248	234
Corporate credit card facility	-	-
	40,088	20,638

19. Interest-bearing loans and borrowings (continued)

Financing arrangements

Bank overdraft facility

The bank overdraft facility may be drawn at any time and is repayable on demand. Interest is charged at prevailing market rates.

Bill acceptance facility

Each bill drawn on the facility is discounted at the prevailing market rate at the time of draw-down, with the rate applying for the term of the bill. The rates varied between 6.2% to 7.6% during the financial year ended 30 June 2010 (2009: rates varied between 6.25% to 8.6%).

At 30 June 2010 the term of the bill acceptance facility had been extended to 1 Jan 2011.

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.

20. Employee benefits

Current

	Consolidated	
In thousands of AUD	**2010**	**2009**
Liability for long service leave	4,051	3,141
Liability for annual leave	6,191	7,479
	10,242	10,620

Non-current

	Consolidated	
In thousands of AUD	**2010**	**2009**
Liability for long service leave	1,721	2,034
	1,721	2,034

21. 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 year ended 30 June 2008, under the ELTIP, share options were granted to the executive directors and key management personnel that entitle them to purchase shares in the Company. No options were granted, vested, exercised or lapsed for the year ended 30 June 2009. No options were granted, vested, exercised or lapsed during and since the year ended 30 June 2010.

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

Grant date	Number of options	Vesting conditions	Contractual life of options
5 November 2007	166,667	Provided the share price reaches a value of greater than 15% of the underlying spot price ($3.65) at the date of issue, on or before 4 November 2012	5 years
5 November 2007	166,667	Provided the share price reaches a value of greater than 30% of the underlying spot price ($3.65) at the date of issue, on or before 4 November 2012	5 years
5 November 2007	166,666	Provided the share price reaches a value of greater than 45% of the underlying spot price ($3.65) at the date of issue, on or before 4 November 2012	5 years
23 November 2007	126,667	Provided the share price reaches a value of greater than 15% of the underlying spot price ($3.58) at the date of issue, on or before 22 November 2012	5 years
23 November 2007	126,667	Provided the share price reaches a value of greater than 30% of the underlying spot price ($3.58) at the date of issue, on or before 22 November 2012	5 years
23 November 2007	126,666	Provided the share price reaches a value of greater than 45% of the underlying spot price ($3.58) at the date of issue, on or before 22 November 2012	5 years
Total share options	880,000		

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

The number and weighted average exercise price of share options is as follows:

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at 1 July	$3.88	800,000	$3.88	880,000
Forfeited during the period	-	-	$3.88	80,000
Granted during the period	-	-	-	-
Outstanding at 30 June	$3.88	800,000	$3.88	800,000

21. Share based payments (continued)

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

In thousands of AUD	Consolidated 2010	2009
2006 Offer – equity settled	-	(16)
2008 Options – equity settled	70	70
	70	54

22. Provisions

Current

In thousands of AUD	Lease makegood	Warranty	Restructuring/ onerous contracts [i]	Total
Balance at 1 July 2009	257	313	317	887
Provisions made during the year	30	133	-	163
Provisions used during the year	(48)	(127)	(97)	(272)
Balance at 30 June 2010	239	319	220	778

Non-current

In thousands of AUD	Lease makegood	Warranty	Restructuring/ onerous contracts [i]	Total
Balance at 1 July 2009	-	-	1,256	1,256
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	(635)	(635)
Balance at 30 June 2010	-	-	621	621

[i] Includes provision provided in 2009 for the unexpired portion of the lease of the distribution centre for disposed division - Coventry Auto Parts Queensland.

23. Capital and reserves

Reconciliation of movement in capital and reserves for the period ended 30 June 2010

In thousands of AUD	Share-based payments reserve	Hedging reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Minority interest	Total equity
Balance at 1 July 2009	144	(554)	(1,258)	25,035	23,367	112,676	31,631	167,674	2,710	170,384
Total comprehensive income for the period										
Profit or Loss	-	-	-	-	-	-	6,474	6,474	501	6,975
Other comprehensive income										
Foreign currency translation differences	-	-	139	-	139	-	-	139	(5)	134
Net change in fair value of cash flow hedges transferred to profit or loss	-	402	-	-	402	-	-	402	-	402
Effective portion of changes in the fair value of cash flow hedges	-	152	-	-	152	-	-	152	-	152
Total other comprehensive income	-	554	139	-	693	-	-	693	(5)	688
Total comprehensive income for the period	-	554	139	-	693	-	6,474	7,167	496	7,663
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Own shares acquired	-	-	-	-	-	(338)	-	(338)	-	(338)
Share based payment transactions	70	-	-	-	70	-	-	70	-	70
Transfer (from)/to reserve	-	-	-	247	247	-	(247)	-	-	-
Dividends to equity holders/ re-invested	-	-	-	-	-	1,104	(4,361)	(3,257)	(481)	(3,738)
Balance at 30 June 2010	214	-	(1,119)	25,282	24,377	113,442	33,497	171,316	2,725	174,041

Amounts are stated net of tax

23. Capital and reserves (continued)

Reconciliation of movement in capital and reserves for the period ended 30 June 2009 (re-presented)

In thousands of AUD	Share-based payments reserve	Hedging reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Minority interest	Total equity
Balance at 1 July 2008	714	891	(1,504)	23,481	23,582	112,676	33,977	170,235	2,657	172,892
Total comprehensive income for the period										
Profit or Loss	-	-	-	-	-	-	(1,416)	(1,416)	411	(1,005)
Other comprehensive income										
Foreign currency translation differences	-	-	246	-	246	-	-	246	-	246
Effective portion of changes in the fair value of cash flow hedges	-	(1,645)	-	-	(1,645)	-	-	(1,645)	-	(1,645)
Net change in fair value of cash flow hedges transferred to profit or loss	-	200	-	-	200	-	-	200	-	200
Total other comprehensive income	-	(1,445)	246	-	(1,199)	-	-	(1,199)	-	(1,199)
Total comprehensive income for the period	-	(1,445)	246	-	(1,199)	-	(1,416)	(2,615)	411	(2,204)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Own shares acquired	-	-	-	-	-	-	-	-	-	-
Share based payment transactions	54	-	-	-	54	-	-	54	-	54
Transfer (from)/to reserve	(624)	-	-	1,554	930	-	(930)	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	(358)	(358)
Balance at 30 June 2009	144	(554)	(1,258)	25,035	23,367	112,676	31,631	167,674	2,710	170,384

Amounts are stated net of tax

Notes to the consolidated financial statements

23. Capital and reserves (continued)

Share capital	The Company Ordinary shares	
In thousands of shares	**2010**	**2009**
On issue at 1 July	39,406	39,406
Dividend reinvestment	670	-
Share buy back	(169)	-
On issue at 30 June – fully paid	39,907	39,406

The Company has also issued share options (see note 21).

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.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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.

23. Capital and reserves (continued)

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 payments arrangements.

Dividends

The following dividends were declared and paid by the Group:

Declared and paid during the year 2010	Cents per share	Total amount $000	Franked / Unfranked	Date of payment
Final 2009 Ordinary Dividend	5.0	1,970	Fully Franked	25 September 2009
Interim 2010 Ordinary Dividend	6.0	2,391	Fully Franked	23 March 2010
Total Amount		4,361		

Since 30 June 2010 the following dividend has been declared by the directors.

Declared after end of year	Cents per share	Total amount $000	Franked / Unfranked	Date of payment
Final 2010 Ordinary Dividend	8.0	3,192	Fully Franked	21 September 2010

The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2010 and will be recognised in subsequent financial reports.

Dividend franking account *In thousands of AUD*	The Company 2010	2009
30 per cent franking credits available to shareholders of the Company for subsequent financial years	20,118	21,443

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking debits that will arise from the receivable of the current tax receivables.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $1,368,000 (2009: $844,000).

24. 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, it's 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, through it's training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand it's roles and obligations.

The Group 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 Group 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 Group 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 does not normally require collateral in respect of trade and other receivables.

24. Financial risk management (continued)

Credit risk (continued)

The Group has established an allowance for impairment that represents it's 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 the following lines of credit:

- $7 million overdraft facility in which interest is payable at prevailing market rates.
- $33.6 million bill acceptance facility. Each bill drawn on the facility is discounted at the prevailing market rate at the time of draw-down, with the rate applying for the term of the bill, generally periods of between 1 to 90 days.

Note 19 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.

<u>Currency risk</u>

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.

<u>Interest rate risk</u>

The Group adopts a policy of ensuring that a large proportion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in Australian dollars, are entered into to achieve an appropriate mix of fixed and floating rate exposure with the Group's policy.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value.

During the year ended 30 June 2010 the Group closed all remaining interest rate swaps due to the reducing balance of the commercial bill facility, $812,000 (2009: $20,213,000). The net fair value of swaps at 30 June 2010 was $nil (2009: liability $893,000).

24. Financial risk management (continued)

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, incur new borrowings or repay existing borrowings.

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

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:

	Note	**Consolidated Carrying amount**	
In thousands of AUD		**2010**	**2009**
Cash and cash equivalents	*10*	5,730	5,071
Trade and other receivables		62,711	61,909
		68,441	66,980

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

		Consolidated Carrying amount	
In thousands of AUD		**2010**	**2009**
Australia		58,176	57,410
New Zealand		3,420	3,762
	11	61,596	61,172

24. Financial risk management (continued)

Credit risk (continued)

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

	Note	Consolidated Carrying amount	
In thousands of AUD		**2010**	**2009**
Trade customers		52,132	51,931
Wholesale customers		9,464	9,241
	11	61,596	61,172

The Group's most significant customer, an Australian wholesaler, accounts for $2,914,000 of the trade receivables carrying amount at 30 June 2010 (2009: $2,953,000).

Impairment losses

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

	Gross	**Impairment**	**Gross**	**Impairment**
In thousands of AUD	**2010**	**2010**	**2009**	**2009**
Not past due	39,138	-	34,412	-
Past due 1-30 days	18,006	-	18,884	-
Past due 31-60 days	2,215	-	4,480	-
Past due 61 days and over	4,437	2,200	8,363	4,967
	63,796	2,200	66,139	4,967

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

	Consolidated Carrying amount	
In thousands of AUD	**2010**	**2009**
Balance as 1 July	4,967	3,214
Movements in provision	(2,767)	1,753
Balance at 30 June	2,200	4,967

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. A significant part of the net trade receivables balance, which includes the amount owed by the Group's most significant customer, relates to customers that have a good credit history with the Group.

24. 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	2010					2009				
In thousands of AUD	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	Carrying amount	Contractua l cash flow	6 mths or less	6-12 mths	1-2 years
Non derivative financial liabilities										
Bill acceptance facility	812	(812)	(812)	-	-	20,213	(21,033)	(381)	(375)	(20,277)
Trade and other payables	37,309	(37,309)	(37,309)	-	-	34,547	(34,547)	(34,547)	-	-
Derivative financial liabilities										
Interest rate swaps used for hedging	-	-	-	-	-	893	(1,243)	(375)	(369)	(499)
Forward exchange contracts used for hedging	-	-	-	-	-	17	(17)	(17)	-	-
	38,121	(38,121)	(38,121)	-	-	55,670	(56,840)	(35,320)	(744)	(20,776)

24. 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:

	Consolidated Carrying amount	
In thousands of AUD	**2010**	**2009**
Variable rate instruments		
Financial assets	5,646	4,972
Financial liabilities	(812)	(21,106)
	4,834	(16,134)

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 2009.

	Profit or loss		Equity	
In thousands of AUD	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2010				
Variable rate instruments	48	(48)	-	-
Cash flow sensitivity (net)	48	(48)	-	-
30 June 2009				
Variable rate instruments	98	(98)	-	-
Interest rate swap	85	(85)	328	(321)
Cash flow sensitivity (net)	183	(183)	328	(321)

24. Financial risk management (continued)

Fair values

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

Derivatives

The fair value of interest rate swaps is based on market quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

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.

25. Operating leases

Leases as lessee

Non cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	**2010**	**2009**
Less than one year	14,876	14,065
Between one and five years	28,144	25,579
More than five years	26,015	27,009
	69,035	66,653

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 20 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 2010, the Group recognised $16,309,000 (2009 $16,208,000) as an expense in the income statement in respect of operating leases.

26. Discontinued operations

In June 2008 the Group sold the business and assets of two divisions (Queensland and the Northern Territory) within its Automotive Parts Distribution segment. At the time those sales contracts were signed, certain items were left to be resolved. All such matters were resolved in the 2009 financial year, resulting in the expense of $2,609,000 which included a provision for onerous contract on the unexpired portion of a leased premises contracted to 31 August 2014. The onerous contract provision was to the value of $1,573,000. During the 2010 financial year a contract was negotiated to sub-lease the premise to 31 August 2014. Consequently, a write back of $387,000 in respect of the onerous contract was recorded.

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

	Consolidated	
In thousands of AUD	**2010**	**2009**
Results of discontinued operations		
Expenses	387	(2,609)
Results from operating activities	387	(2,609)
Income tax (expense)/benefit	(116)	783
Profit/(loss) for the year	271	(1,826)
Basic earnings/(loss) per share	0.7 cents	(4.6) cents
Diluted earnings/(loss) per share	0.7 cents	(4.6) cents
Cash flows from discontinued operations		
Net cash from(used) in operating activities	5	(928)
Net cash from discontinued operations	5	(928)

27. Controlled entities

	Country of Incorporation	Ownership interest 2010 %	Ownership interest 2009 %
AA Gaskets Pty Ltd	Australia	73	73
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited [(i)]	New Zealand	73	73

The ultimate parent entity is Coventry Group Ltd.

[(i)] The company is a controlled entity of AA Gaskets Pty Ltd and operates in New Zealand.

28. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	Consolidated 2010	Consolidated 2009
Cash flows from operating activities			
Profit/(loss) for the period		6,975	(1,005)
Adjustments for:			
Depreciation & amortisation		3,954	3,841
Impairment write off		131	6,880
Interest income from other entities	7	(45)	(103)
Interest expense	7	1,303	3,299
Net gain on disposal of property, plant and equipment		(1,891)	(11,039)
Income tax expense/(benefit)	8	2,937	2,007
Operating profit before changes in working capital and provisions		13,364	3,880
Change in trade and other receivables		(1,152)	21,724
Change in inventories		7,002	3,489
Change in trade and other payables		3,671	(10,864)
Change in provisions and employee benefits		1,566	2,682
		24,451	20,911
Interest paid		(1,209)	(3,203)
Income taxes refunded/(paid)		(81)	766
Net cash from operating activities		23,161	18,474

29. Contingencies

In 2007 the Group supplied bolts to be used in the erection of Wind Towers. The Group sourced the bolts from an importer. The customer has alleged the bolts did not meet specification and in April 2009 has issued a claim for damages of approximately $2,200,000. The claim is denied by the Group. The importer has been put on notice regarding the claim. The Group considers that:

1. The matters surrounding the claim are in dispute.
2. Should any liability be established in the matter that liability will rest with the importer and hence the deemed manufacturer. It is understood that the importer has insurance to mitigate any loss it may incur.

Thus the possibility that the Group will suffer any financial loss is unlikely.

Given the circumstances and history of this matter there can be no certainty as to the timing of its resolution. The directors are of the opinion that provisions are not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required.

30. 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
J Boros (i)
JH Nickson
KR Perry (ii)

Executive directors

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

Executives

AP Hockley, Chief Financial Officer
MW Ridley, Chief Information Officer
MJ Hurley, Group General Manager – Automotive
JE Robinson, General Manager - Fasteners
J Colli, Company Secretary

(i) resigned 30 October 2009
(ii) appointed 18 September 2009

Key management personnel compensation

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

	Consolidated	
In AUD	**2010**	**2009**
Short-term employee benefits	2,581,094	2,343,541
Other long-term benefits	25,072	20,027
Post-employment benefits	263,869	433,377
Termination benefits	-	71,346
Equity compensation benefits	69,540	54,130
	2,939,575	2,922,421

Information regarding individual directors and executives compensation and applicable equity instruments disclosures as permitted 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.

30. 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 June 2009	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2010
Directors						
BF Nazer	101,182	-	3,238	-	-	104,420
J Boros [(i)]	100,000	-	-	-	100,000	-
JH Nickson	50,977	-	43,863	-	-	94,840
KR Perry [(ii)]	-	-	-	-	-	-
RB Flynn	147,146	-	93,350	-	-	240,496
V Scidone	27,700	-	1,787	-	-	29,487
Executives						
AP Hockley	4,000	-	1,000	-	-	5,000
MW Ridley	5,000	-	-	5,000	-	-
MJ Hurley	-	-	1,000	-	-	1,000
JE Robinson[(iii)]	-	-	-	-	-	-
J Colli	1,005	-	66	-	-	1,071

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

(i) resigned 30 October 2009
(ii) appointed 18 September 2009
(iii) became a relevant group executive during the year ended 30 June 2010

	Held at 1 July 2008	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2009
Directors						
BF Nazer	61,182	-	40,000	-	-	101,182
J Boros	27,320	-	72,680	-	-	100,000
JH Nickson	25,977	-	25,000	-	-	50,977
RB Flynn	62,146	-	85,000	-	-	147,146
V Scidone	14,961	-	12,739	-	-	27,700
Executives						
AP Hockley	-	-	4,000	-	-	4,000
MW Ridley	-	-	5,000	-	-	5,000
GN Wilton [(i)]	-	-	-	-	-	-
MJ Hurley [(ii)]	-	-	-	-	-	-
J Colli	1,005	-	-	-	-	1,005

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

(i) resigned 11 September 2008.
(ii) appointed 15 October 2008.

30. 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 2009	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2010
Executive Directors					
RB Flynn	500,000	-	-	-	500,000
V Scidone	100,000	-	-	-	100,000
Executives					
AP Hockley	80,000	-	-	-	80,000
MW Ridley	80,000	-	-	-	80,000
MJ Hurley	-	-	-	-	-
JE Robinson (i)	-	-	-	-	-
J Colli	40,000	-	-	-	40,000

(i) became a relevant group executive during the year ended 30 June 2010

	Held at 1 July 2008	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2009
Executive Directors					
RB Flynn	500,000	-	-	-	500,000
V Scidone	100,000	-	-	-	100,000
Executives					
AP Hockley	80,000	-	-	-	80,000
MW Ridley	80,000	-	-	-	80,000
GN Wilton (i)	80,000	-	-	(80,000)	-
MJ Hurley (ii)	-	-	-	-	-
J Colli	40,000	-	-	-	40,000

(i) resigned 11 September 2008
(ii) appointed 15 October 2008

No options held by key management personnel are vested but not exercisable at 30 June 2009 or 2010.

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.

31. Related parties – other than key management personnel

Identity of related parties

The Group has a related party relationship with its controlled entities (see note 27).

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	
	2010	**2009**
Dividend revenue	1,268,750	6,134,193
Revenue from sale of goods	481,006	374,524
Purchase of inventories	775,867	590,079
Increase in intercompany advance accounts	2,139,706	5,233,584
Aggregate amounts receivable from controlled entities	17,544,211	15,404,505

During the year ended 30 June 2010, the Company received interest of $1,276,000 (2009: $1,021,000) in respect of the advance account subject to interest charges. Interest is charged at commercial rates.

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 2010.

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 and independence status	**Experience, special responsibilities and other directorships**
Barry Frederick Nazer, BBus, FCPA, FFin, ANZIIF (Fellow), FAICD Independent non executive director Chairman of audit and risk committee; member of nomination committee	Mr. Nazer was appointed as a director of the Company in September 2003. He is currently Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility. He is also a non-executive director of VDM Group Limited and M G Kailis Group. He was Chief Financial Officer and Company Secretary of WESFI Limited, a major engineered wood products manufacturer and distributor, from August 1999 until its sale in 2001. He previously spent over 10 years at the executive level of Western Australia's largest financial institution, Bank of Western Australia Limited (BankWest), including almost 9 years as Chief Financial Officer. Other listed company directorships held during the past 3 financial years: VDM Group Limited: From 01.10.2008 to current.
Joseph Boros, FCPA, FAICD Resigned on 30 October 2009 Independent non executive director Chairman of remuneration committee; member of the audit and risk committee and nomination committee	Mr Boros was a director of the Company from March 2004 to October 2009. He has had 40 years experience in the hardware and building industry in financial and general management roles. Mr Boros was Managing Director of the Alco Group when it was acquired by Bunnings in 1990 and was then appointed Managing Director of Bunnings Building Supplies to merge the two businesses. He was also appointed a Director of Bunnings Ltd, a listed public company at that time up until its acquisition by Wesfarmers. Mr Boros is also a director of Westscheme Pty Ltd and a former director of the Chamber of Commerce of Western Australia and was a representative of the Retail Shops Advisory Committee. He held no other listed company directorships during the past 3 financial years.

1. Directors (continued)

Information on Directors (continued)

John Harold Nickson, B.Ec, CPA, FAICD
Independent non executive director
Member audit and risk committee; Chairman of remuneration 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 number of charities and treasurer of a sporting club.

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

Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD, FAIMM
Appointed on 18 September 2009
Independent non executive director
Member of audit and risk, remuneration and nominations committees

Mr Perry was appointed a director of the Company on 18 September 2009. He is presently Chief Executive Officer of VDM Group Limited, a publicly listed Australian engineering, construction and contracting business. Prior to this appointment in February 2010, Mr Perry was Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry gained over 15 years experience in senior management roles with the Rio Tinto Group, including serving as President of its Taiwanese steel mill and served as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. He subsequently 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 16.08.2002 to 16.12.2009

1. Directors (continued)

Information on Directors (continued)

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 also a director of Hills Industries Limited. He is a former director of Wattyl Limited and Longreach Group Ltd and has had 39 board years experience on 6 listed companies.

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

Hills Industries Limited: From 1999 to current

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 has since successfully led the growth of that division.

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.

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:

	Number of Ordinary Shares	Number of Options (Unlisted)
BF Nazer	104,420	-
JH Nickson	94,840	-
KR Perry	-	-
RB Flynn	240,496	500,000
V Scidone	29,487	100,000

During the 2009/10 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 2010, 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	15	14	4	4	-	-	-	-
J Boros	6	6	1	1	2	2	-	-
JH Nickson	15	15	4	4	3	3	-	-
KR Perry	11	10	3	3	1	1	-	-
RB Flynn	15	15	-	-	-	-	-	-
V Scidone	15	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.

2. Principal activities

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

Automotive Parts
- distribution and marketing of automotive parts and accessories, tools and workshop equipment; mining and general industrial consumables; specialised transport and heavy haulage products.

Industrial Products
- distribution and marketing of industrial and construction fasteners including bolts, nuts and screws; general industrial products.
- distribution, design and installation of lubrication and hydraulic fluid systems, hose and fittings products.
- 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.

3. Consolidated results

Results of the Group for the year ended 30 June 2010 were as follows:

	2010	2009
	$000	$000
Revenue from sale of goods	**393,103**	419,096
Profit before tax	**9,525**	3,611
Income tax expense	**(2,821)**	(2,790)
Profit from continuing operations for the year	**6,704**	821
Profit/(loss) from discontinued operations (net of income tax)	**271**	(1,826)
Profit/(loss) for the year attributable to:		
- equity holders of the Company	**6,474**	(1,416)
- minority interest	**501**	411
Profit/(loss) for the year	**6,975**	(1,005)

4. Dividends

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

Declared and paid during the year 2010	Cents per share	Total Amount $000	Franked/ unfranked	Date of payment
Final 2009 Ordinary Dividend	5.0	1,970	Fully Franked	25 September 2009
Interim 2010 Ordinary Dividend	6.0	2,391	Fully Franked	23 March 2010
Total Amount		4,361		

Since 30 June 2010 the following dividend has been declared by the directors. The dividend has not been provided and there are no income tax consequences.

Declared after end of year	Cents per share	Total Amount $000	Franked/ unfranked	Date of payment
Final 2010 Ordinary Dividend	8.0	3,192	Fully Franked	21 September 2010
Total Amount		3,192		

5. Review of operations and results

Additional review of the Group's operations for the financial year and the results of those operations are contained in the Concise Annual Report and in particular in the Executive Chairman's review section.

6. Earnings per share

Basic profit per share for the year ended 30 June 2010 was 16.3 cents. This compares to a basic loss per share of 3.6 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:

(a) the Group's operations;
(b) the results of those operations; or
(c) the Group's state of affairs

in future 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.

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.

10. Remuneration report

The entire remuneration report has been audited by the Company's external auditor, KPMG.

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs)

KMPs have authority and responsibility for planning, directing and controlling the activities of the Company and the Group and comprise the directors of the Company and executives for the Company and the Group including the five most highly renumerated Company and Group executives.

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
J Boros (resigned 30 October 2009)
JH Nickson
KR Perry (appointed 18 September 2009)

Executive directors
RB Flynn, Executive Chairman
V Scidone, Director and Group General Manager – Industrial

Executives
AP Hockley, Chief Financial Officer & Company Secretary (resigned as Company Secretary on 11 May 2010)
MW Ridley, Chief Information Officer
MJ Hurley, Group General Manager – Automotive
JE Robinson, General Manager – Fasteners
J Colli, Company Secretary

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 2010 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.

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. For the 2009 and 2010 financial years the short-term incentive was uplifted by 50% (i.e. 37.5% of fixed annual compensation for senior executives and 52.5% for the Executive Chairman) in lieu of a long-term incentive offer.

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.

Under the ELTIP, eligible executives were initially offered fully paid ordinary shares in the Company up to a value of 25% of fixed annual compensation at the start of the performance period, upon achieving certain performance criteria set by the Board.

At the 2006 Annual General Meeting shareholders approved a renewal of the Managing Directors participation in ELTIP as well as an amendment to the participation level whereby offers of ordinary shares for performance periods commencing on 1 July 2006 would be determined by reference to 35% of his fixed annual compensation.

Offers of fully paid shares were made in respect of the 3 year performance periods commencing on 1 July 2003, 1 July 2004, 1 July 2005 and 1 July 2006. For each of these offers the performance hurdles were not achieved and as a consequence all of the offers have lapsed.

In September 2007 the Board amended the ELTIP so as to better provide for incentives to executive management by giving them the choice of either an offer of fully paid shares or the issue of options over unissued ordinary shares in the Company.

For the 2009 and 2010 financial years eligible key management personnel were offered a 50% uplift in their short-term incentive potential in lieu of a long-term incentive under ELTIP as detailed above in the short-term incentives section. The same short-term incentive criteria and hurdles as outlined in the section above applied. No other long-term incentives were applicable for the reporting period.

In November 2007, following an amendment to the ELTIP, options over unissued ordinary shares in the company were granted to the executive directors and senior executives.

10. Remuneration report (continued)

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

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%.

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.

	2010 $	2009 $	2008 $	2007 $	2006 $
Profit/(loss) attributable to equity holders of the Company	6,474,000	(1,416,000)	6,522,000	(1,409,000)	9,337,000
Dividends paid	4,361,000	-	-	12,489,000	23,510,000
Change in share price	0.94	(1.00)	(2.59)	0.30	(1.60)

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).

10. Remuneration report (continued)

10.3 Details of compensation

The following table provides the details of the 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 2010.

	Short-term benefits			*Post employment benefits*	*Other long-term benefits*	*Share-based payment*				
Name	*Cash salary and fees $*	*STI cash bonus $*	*Non-monetary benefits $*	*Super-annuation (i) $*	*Long service leave provision $*	*Value of ELTIP shares (options & rights) $*	*Termination benefits $*	*Total $*	*Proportion of compensation performance related %*	*Value of options as proportion of remuneration %*
Non-executive Directors										
BF Nazer	84,429	-	-	7,599	-	-	-	92,028	-	-
J Boros (ii)	20,370	-	-	8,373	-	-	-	28,743	-	-
JH Nickson	43,983	-	-	49,738	-	-	-	93,721	-	-
KR Perry (iii)	60,029	-	-	5,403	-	-	-	65,432	-	-
Total	208,811	-	-	71,113	-	-	-	279,924	-	-
Executive Directors										
RB Flynn	777,689	-	-	27,365	-	44,400	-	849,454	5.2	5.2
V Scidone	405,863	-	19,581	29,775	13,277	8,380	-	476,876	1.8	1.8
Total	1,183,552	-	19,581	57,140	13,277	52,780	-	1,326,330	-	-

(i) Includes statutory superannuation contributions and additional voluntary contributions in some cases.
(ii) Resigned 30 October 2009
(iii) Appointed 18 September 2009.

Name	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment				
	Cash salary and fees $	*STI cash bonus $*	*Non-monetary benefits $*	*Super-annuation [i] $*	*Long service leave provision $*	*Value of ELTIP shares (options & rights) $*	*Termination benefits $*	*Total $*	*Proportion of compensation performance related %*	*Value of options as proportion of remuneration %*
Other key management personnel										
AP Hockley	274,904	-	-	46,040	-	6,704	-	327,648	2.0	2.0
MW Ridley	247,648	-	10,610	44,981	-	6,704	-	309,943	2.2	2.2
MJ Hurley	232,601	-	5,704	14,004	-	-	-	252,309	-	-
JE Robinson[iv]	205,650	-	-	16,106	6,761	-	-	228,517	-	-
J Colli	192,033	-	-	14,485	5,034	3,352	-	214,904	1.6	1.6
Total	1,152,836	-	16,314	135,616	11,795	16,760	-	1,333,321	-	-
Total compensation key management personnel	2,545,199	-	35,895	263,869	25,072	69,540	-	2,939,575	-	-

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.
(iv) Became a relevant group executive during 30 June 2010 for the purposes of section 300A (1B) of the Corporations Act

10. Remuneration report (continued)

10.3 Details of compensation (continued)

The following table provides the details of the 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 2009.

	Short-term benefits			*Post employment benefits*	*Other long-term benefits*	*Share-based payment*				
Name	*Cash salary and fees* *$*	*STI cash bonus* *$*	*Non-monetary benefits* *$*	*Super-annuation* (i) *$*	*Long service leave provision* *$*	*Value of ELTIP shares (options & rights)* *$*	*Termination benefits* *$*	*Total* *$*	*Proportion of compensation performance related* *%*	*Value of options as proportion of remuneration* *%*
Non-executive Directors										
BF Nazer	84,000	-	-	7,560	-	-	-	91,560	-	-
J Boros	15,273	-	-	73,018	-	-	-	88,291	-	-
JH Nickson	-	-	-	90,470	-	-	-	90,470	-	-
Total	99,273	-	-	171,048	-	-	-	270,321	-	-
Executive Directors										
RB Flynn	735,538	50,000	-	50,000	-	44,400	-	879,938	10.7	5.0
V Scidone	401,097	21,750	27,069	37,048	13,964	(1,745)	-	499,183	4.0	1.7
Total	1,136,635	71,750	27,069	87,048	13,964	42,655	-	1,379,121		

Name	*Short-term benefits*			*Post employment benefits*	*Other long-term benefits*	*Share-based payment*				
	Cash salary and fees $	*STI cash bonus $*	*Non-monetary benefits $*	*Super-annuation (i) $*	*Long service leave provision $*	*Value of ELTIP shares (options & rights) $*	*Termination benefits $*	*Total $*	*Proportion of compensation performance related %*	*Value of options as proportion of remuneration %*
Other key management personnel										
AP Hockley	226,428	15,315	-	95,105	-	6,704	-	343,552	6.4	2.0
MW Ridley	251,564	15,000	7,295	40,979	-	6,704	-	321,542	6.7	2.1
GN Wilton (ii)	84,620	-	-	7,064	-	-	71,346	163,030	-	-
MJ Hurley (iii)	171,263	-	-	14,050	-	-	-	185,313	-	-
J Colli	212,644	9,998	14,687	18,083	6,063	(1,933)	-	259,542	3.1	1.3
Total	946,519	40,313	21,982	175,281	6,063	11,475	71,346	1,272,979		
Total compensation key management personnel	2,182,427	112,063	49,051	433,377	20,027	54,130	71,346	2,922,421		

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 11 September 2008.
(iii) Appointed 15 October 2008.

10. Remuneration report (continued)

10.4 Analysis of bonuses included in compensation

No short-term incentive bonuses were awarded as compensation to the executive directors and key management personnel during the year ended 30 June 2010.

10.5 Employment 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 Group General Manager – Industrial
- 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.

AP Hockley, Chief Financial Officer and Company Secretary
- 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 12 weeks notice by the Company.

MW Ridley, Chief Information 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 12 weeks notice by the Company.

MJ Hurley, Group General Manager – Automotive
- 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 12 weeks notice by the Company.

10. Remuneration report (continued)

10.5 Employment contracts(continued)

JE Robinson, General Manager - Fasteners
- The contract has no fixed term
- Fixed annual compensation to be reviewed annually
- Long service leave is payable by the company in accordance with relevant state legislation
- Participation in the management incentive plan is at the discretion of the Company
- Other than for serious misconduct, termination of employment requires 12 weeks notice by the Company

J Colli, Company Secretary
- 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.

10.6 Options over shares granted as compensation

Options that have been granted to date are disclosed in note 21 of the full financial report. No options were granted, vested, exercised or lapsed during and since the end of the reporting period. The value of options forfeited during the year ended 30 June 2010 was $nil (2009: $6,704).

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 2010 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 to date are disclosed in note 21 to the full financial report. No options were granted, vested, exercised or lapsed during and since the end of the reporting period.

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 5 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 secretaries

Mr John Colli 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.

Mr Anthony Hockley was appointed as a joint Company Secretary from November 2008 to 11 May 2010. Mr John Colli resumed sole responsibility of Company Secretary from 11 May 2010.

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 2010

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 63 to 72, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company and the Group's financial position as at 30 June 2010 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);

   (c) there are reasonable grounds to believe that the Company 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 2010 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 2010

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 2010 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

KPMG

DMcComish

Denise McComish
Partner

Perth

27 August 2010

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Coventry Group Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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 2010 and of its performance for the 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).

Report on the remuneration report

We have audited the remuneration report included in section 10 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

Denise McComish
Partner

Perth

27 August 2010