COVENTRY GROUP LTD

ABN 37 008 670 102

2008

CONCISE ANNUAL REPORT

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FIVE YEAR FINANCIAL OVERVIEW

		AIFRS[1]						AGAAP[1]
YEAR ENDED 30 JUNE		2008	2007	% Change		2006	2005	2004
Revenue from sale of goods	($M)	**448.8**	468.3	4.2	▼	502.0	470.8	433.9
Profit before tax [2]	($M)	**8.4**	1.9	342.1	▲	14.7	24.1	21.9
Profit/(loss) after tax [3]	($M)	**6.9**	(1.2)	675.0	▲	9.6	17.7	15.2
Net assets	($M)	**172.9**	168.1	2.9	▲	166.4	168.5	169.9
Shareholders' equity [4]	($M)	**170.2**	165.3	3.0	▲	163.6	165.5	167.0
Earnings/(loss) per share [5]	(cents)	**16.6**	(3.8)	536.8	▲	26.1	48.9	42.5
Dividends per share [6]	(cents)	**-**	17	100.0	▼	35	36	34
Net tangible assets per share	($)	**3.24**	3.21	0.9	▲	3.11	3.75	4.15
Operating cash flow	($M)	**11.8**	10.0	18.0	▲	2.1	12.5	20.2
Return on equity [7]	(%)	**4.4**	8.0	45.0	▼	8.1	8.7	8.9
Net interest bearing debt	($M)	**45.8**	75.5	39.3	▼	76.4	14.0	12.5
Gearing (net debt to equity)	(%)	**26.5**	44.9	41.0	▼	45.9	8.3	7.3
Interest cover	(times)	**2.5**	4.9	49.0	▼	7.1	14.2	21.0
Share price (30 June)	($)	**1.91**	4.50	57.6	▼	4.20	5.80	5.72
Market capitalisation (30 June)	($M)	**75.3**	177.3	57.6	▼	151.0	205.7	200.7

1 2005 – 2008 results have been prepared under AIFRS and the 2004 results have been prepared under AGAAP
2 before minority interest
3 after minority interest
4 excludes minority interest
5 basic
6 excludes special dividends
7 before significant items

About Coventry Group

Coventry Group Ltd was incorporated in 1936 and has been listed on the Australian Stock Exchange since 1966 (ASX Code: CYG). We employ around 1,740 people and operate throughout Australia and New Zealand with a network of 119 locations.

Our principal activities are:

– distribution of industrial products;
– distribution of automotive parts and accessories; and
– manufacture of automotive and industrial gaskets.

Contents

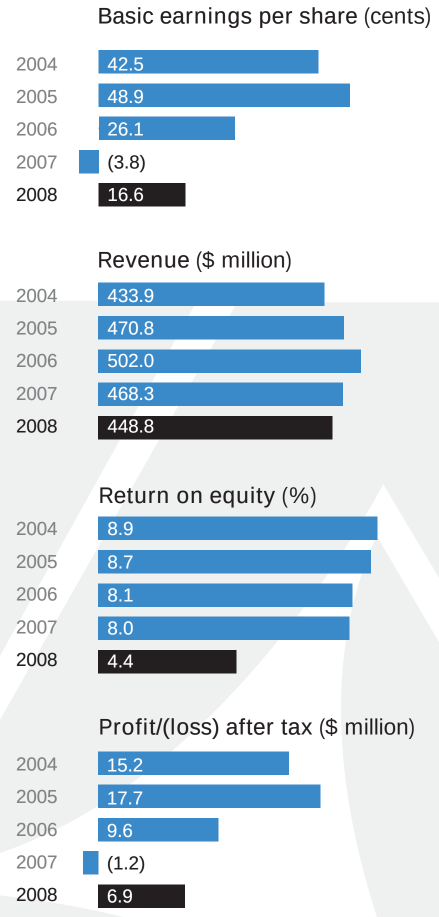
Financial

- revenue of $485.5 million (2007 - $526.4 million)
- net profit/(loss) after tax of $6.9 million (2007 - $(1.2) million)
- earnings/(loss) per share of 16.6 cents (2007 - (3.8) cents)
- normalised profit before interest and tax* of $10.1 million (2007 - $24.3 million)
- normalised profit after tax of $7.6 million (2007 - $13.4 million)
- normalised earnings per share of 18.3 cents (2007 - 35 cents)
- no dividend paid (2007 - 17 cents)

* *normalised profit before interest and tax excludes net gain on sale of businesses of $1.5 million (2007 - $3 million), net gain on sale of "bitumen" land and buildings of $7 million (2007 - nil); relocation costs of distribution centre in Western Australia of $3.4 million (2007 - nil); additional stock provisions of $4.2 million (2007 - nil); costs of restructuring of $1.9 million (2007 - $0.7 million); impairment of nil (2007 - $8.8 million); writedown of Company IT systems and related expenses of nil (2007 - $10.4 million) and executive termination payment of nil (2007 - $0.5 million).*

Operations

- sale of automotive operations in Queensland
- sale of automotive operations in Northern Territory
- divestment of surplus freehold property associated with the former bitumen business
- expansion of the Cooper Fluids Systems division into South Australia and Victoria



OVERVIEW OF BUSINESS UNITS

INDUSTRIAL

Principal Activities

- distribution and marketing of:
  - industrial and construction fasteners including bolts, nuts and screws; and
  - general industrial products.
- distribution, design and installation of lubrication and hydraulics 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.

Year In Brief

- strong financial performance by fluids business.
- expansion of fluids business into SA and VIC.
- strong financial performance by fasteners in WA, QLD and NZ.
- revised management structure with new General Manager for fasteners and fluids divisions promoted from within the Company.
- unsatisfactory trading performance by the cabinet and furniture hardware division; business now integrated with new branding – Artia.
- roll-out of Oracle information technology platform largely completed with only the fluids division and NZ remaining.

Financial

	2008	2007	% Change
Sales ($M)	272.7	258.6	+ 5.5
EBIT - normalised ($M)	21.4	22.9	- 6.6
EBIT/Sales Margin (%)	7.8	8.9	- 12.4
Capital Employed ($M)	110.7	107.8	+ 2.7
Return on Capital Employed (%) [1]	19.3	21.2	- 9.0

1 EBIT/assets less creditors and provisions

Employees 986 (including 150 in NZ)
Sites 83 (including 16 in NZ)

AUTOMOTIVE

Principal Activities

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

Year In Brief

- divestment of automotive operations in QLD and NT.
- unsatisfactory overall trading performance mainly contributed by the WA division of Coventrys.
- improved performance on the prior year by the SA division, Motor Traders.
- roll-out of Oracle information technology platform completed.

Financial [1]

	2008	2007	% Change
Sales ($M)	168.3	203.6	- 17.3
EBIT - normalised ($M)	(8.6)	2.8	- 407.1
EBIT/Sales Margin (%)	(5.1)	1.4	- 464.3
Capital Employed ($M)	53.6	55.2	- 2.9
Return on Capital Employed (%) [2]	(16.0)	5.1	- 413.7

1 Excludes discontinued operations 2 EBIT/assets less creditors and provisions

Employees 750
Sites 34

GASKETS

Principal Activities

- manufacture and distribution of automotive and industrial gaskets.

Year In Brief

- improved profitability achieved.
- strong cost control maintained.
- improved competitive position.

Financial

	2008	2007	% Change
Sales ($M)	11.6	11.1	+ 4.5
EBIT ($M)	2.0	1.2	+ 66.7
EBIT/Sales Margin (%)	16.9	10.7	+ 57.9
Capital Employed ($M)	8.9	9.0	- 1.1
Return on Capital Employed [1]	21.9	13.3	+ 64.7

1 EBIT/assets less creditors and provisions

Employees 60 (including 10 in NZ)
Sites 2 (including 1 in NZ)


Coventry Fasteners
Australia's Fastener Specialists
Hylton Parker Fasteners
New Zealand's Fastener Specialists
AM-TECH
FASTENINGS & COMPONENTS
Infix
KONNECT
COOPER
FLUID SYSTEMS
artia
Specialists in Cabinet and Furniture Hardware
TOOLS
& MORE
GRACO

EXECUTIVE CHAIRMAN'S REPORT

Dear Shareholder

On behalf of your directors I present the Coventry Group's 2008 Annual Report.

Financial Performance

For the full year the Group recorded a net profit of $6.9 million compared to a loss of $1.2 million for the prior year. However, this result was impacted by a number of materially significant items, namely, gain on the sale of surplus land and buildings of $7 million, profit on sale of automotive businesses in Queensland and Northern Territory of $1.5 million, costs associated with the relocation of the West Australian distribution centre of $3.4 million, additional stock provisions of $4.2 million and costs of closure/exiting businesses of $1.9 million.

After allowing for these significant items the underlying operating profit before interest and tax was an unsatisfactory outcome of $12.7 million compared to $24.4 million for the prior year (based on continuing operations). This outcome was mainly impacted by the adverse trading result of the automotive business unit, which recorded a 17.3% drop in revenue after allowing for the sale of the Queensland and Northern Territory operations.

System implementation problems and process issues at the new West Australian distribution centre which in turn negatively impacted service levels were the key factors causing the fall in revenue for the automotive business. The industrial business unit, particularly the fluids division, recorded a strong performance. The gaskets business also achieved a good result with a significantly improved profit.

During the year we negotiated to exit businesses which were loss making or performing marginally. As a consequence we achieved the divestment of the Queensland and Northern Territory automotive businesses which resulted in a small net gain to our book carrying values.

The roll out of the Oracle information technology platform is now largely completed with a major division, our fasteners business in Queensland, being successfully integrated in August 2008 and only the New Zealand and fluids businesses remaining to be converted.

Gearing and Cash Flow

The following table shows key data relating to the Group's gearing and cash flow:

Year Ended	30 June 2008	30 June 2007
Operating Cash Flow ($M)	11.8	10.0
Net Interest Bearing Debt ($M)	45.8	75.5
Net Debt/Equity (%)	26.5	44.9
Interest Cover (times)	2.5	4.9

During the year a significant reduction (39%) in the Group's net debt was achieved. This was mainly attributed to the sale of a number of Group assets.

We are currently undertaking a major review of our accounts receivable processes and we anticipate that this should favourably impact the cash flow position. We are also pursuing the sale of a number of freehold properties, enabling the Group to further reduce debt in these unsettled financial times.

Dividend

The directors have decided that no final dividend be declared for the 2007/08 financial year in light of the poor trading results. The directors remain mindful of the large $20.9 million franking account balance and intend to resume paying dividends as soon as practicable.

Board Composition

As prefaced in last year's report, Mr Ross McLean retired from the Board at the 2007 AGM. The casual vacancy was filled with the appointment of Mr John Nickson as a non-executive director. Mr Nickson has significant experience in the financial services sector having worked for the majority of his career with JBWere and Goldman Sachs JBWere. He brings strong capital markets expertise to the Board. During the year the number of directors increased from four to five with the appointment of Mr Vince Scidone as an executive director. Mr Scidone is the Group General Manager of the Company's industrial products business unit and has successfully led this business since 1996.

The composition of the board is reviewed on an ongoing basis to ensure the size and skill mix is appropriate for the Company.

In accordance with the Company's constitution, Messrs Nickson and Scidone will retire at the forthcoming AGM. Both are eligible for re-election and they put themselves forward. The remaining board members have strongly recommended their re-election.

Operations Review

Industrial Products Distribution

Revenue for the industrial products business unit increased 5.5% to $272.7 million. Profit before interest and tax of $20.9 million was down 8.5% on the previous year.

The fluids business recorded a strong financial result as a consequence of the buoyant mining and resources sectors in Western Australia and North Queensland. During the year, the business which trades as Cooper Fluid Systems, expanded its activities to South Australia and Victoria and now represents substantially a national operation.

The fastener business achieved good performances in Western Australia and Queensland. However, a softening in the construction market resulted in outcomes that were below expectations for the other States. Overall the business in New Zealand performed well given the general weakness in the economy.

The integration of the cabinet furniture and hardware division was completed with the launch of its new branding – Artia. The division had a disrupted year as it continued to bed down warehousing and logistics issues which in turn impacted customer service.

Since the end of the 2007/08 financial year, the industrial business had a restructure of the Senior Management Team with the appointment of new general managers for the fastener and fluids divisions, in both cases by promotion from within the Company.

With slowing economies in Australia and New Zealand there will be a strong focus on reducing capital employed with initiatives such as reviewing the branch network which has already commenced.

Automotive Parts Distribution

The automotive parts business recorded a loss before interest and tax of $19.6 million compared to a loss of $8.2 million for the prior year. Revenue of $201.0 million was down 16%. During the year the Queensland and Northern Territory automotive businesses were sold. The Western Australian operations of Coventrys continue to be adversely impacted for the reasons already stated but our performance is now improving. The South Australian operations, whilst below expectations, had an improved result on the prior year.

Management's focus going forward will be to lift trading performance and reduce operating costs.

Gasket Manufacturing

AA Gaskets Pty Ltd, the Group's controlled entity, achieved a good performance with revenue of $11.6 million compared to $11.1 million the prior year – up 4.5%. Profit before interest and tax increased 67% to $2.0 million. A favourable trading environment coupled with strong cost control contributed to the solid trading result of the business.

People

We have benefited from the efforts of many good people in our Company and the arrival of a number of new people. In Queensland and Western Australia, we have experienced the strongest job markets I have ever seen and this has resulted in staff turnover which is way too high and it is a significant cost to our Company.

Of particular importance is the Group's preference to identify, develop and promote talent from within the business and during the year there was a significant number of internal senior management appointments made as a result of these focused efforts in talent management and succession planning.

A co-ordinated focus on training and developing our staff continued to gain momentum during the year with a number of general and tailored training programs successfully implemented across the Group. Leadership development, systems skills and product knowledge remain key focus areas for the business to ensure our staff are suitably equipped to meet business and customer expectations.

Safety remains at the forefront of the Group's operations and is the over-riding philosophy in ensuring that all activities are conducted in a manner whereby the health, safety and well being of staff, contractors and customers remains front of mind. Our "better than industry" safety performance continued during the year with improvements noted in the severity of injuries recorded. A number of training initiatives specific to safe work practices commenced during the year and will continue across the Group.

Outlook

For the 2008/09 financial year the possibility of higher inflation, currency volatility and world economic uncertainty will present challenges for the Group.

The outlook for the Group's industrial business should be generally favourable, especially for the divisions that are operating in the more buoyant 'resources states' of Western Australia and Queensland. The other states present uncertain trading conditions whilst the New Zealand economy is expected to be poor. The New Zealand businesses are well managed and represent 7% of Group revenue.

The automotive division's performance will be dependant on continued improvement of internal processes and the level of consumer confidence that can be achieved as the business delivers better service levels.

The gaskets business is well positioned to continue to improve on its competitive market position and anticipates a favourable trading environment.

We expect to continue to reduce our debt through property sales and better working capital utilisation, giving us the opportunity to pursue initiatives to grow our better performing divisions.

It is our intention to grow the Company, regarding at all times the primacy of achieving superior value for our shareholders. In doing this we will also meet the reasonable expectations of our other two major stakeholders, namely, our customers and our employees.

Finally I record my appreciation and thanks for the efforts made by employees across the Group as well as the support I have received from my fellow directors.

Roger B Flynn
Executive Chairman


Coventrys
Automotive, Mining and Industrial Supplies
COREtech
crossfire GASKETS
Motor Traders
Automotive Parts, Tools and Equipment
permaseal
quality automotive gaskets
aa gaskets
nz gaskets LIMITED
Drivetrain
Truck and Trailer Parts Specialists
CGL TOOLS

BOARD OF DIRECTORS


Roger Flynn


Joe Boros


Barry Nazer


John Nickson


Vince Scidone

Roger Baden Flynn B.Eng (Hons), MBA, FIE (Aust), FAICD
Executive Chairman;
Chairman of nomination committee, age 58

Mr Flynn was appointed a director of the Company in October 2001. He became Chairman in November 2006 and in April 2007 Mr Flynn assumed the role of Executive Chairman of the Company. 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 35 board years experience on 6 listed companies.

Other listed company directorships held during the past 3 financial years - Hills Industries Limited from 23 November 1999 to current.

Joseph Boros FCPA, FAICD
Independent non-executive director;
Chairman of remuneration committee; member of the audit & risk committee and nomination committee, age 63

Mr Boros was appointed a director of the Company in March 2004. 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.

During his 13 year term as head of Bunnings, the business grew from a WA, state based enterprise to a national operation with a turnover exceeding $3 billion and employing 20,000 staff.

Mr Boros is also a director of Westscheme Pty Ltd and a former director of the Chamber of Commerce and Industry 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.

Barry Frederick Nazer BBus, FCPA, FFin, ANZIIF (Fellow), FAICD
Independent non-executive director;
Chairman of audit & risk committee; member of nomination committee, age 60

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 director of the 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.

He held no other listed company directorships during the past 3 financial years. However since the end of the 2007/08 financial year, Mr Nazer has been appointed a director of the listed company VDM Group Limited.

John Harold Nickson B.Ec, CPA, FAICD
Independent non-executive director;
Member of audit & risk committee and remuneration committee, age 64

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.

Vince Scidone BBus, AFAIM
Executive director, age 45

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.

CONCISE FINANCIAL REPORT

Coventry Group Ltd
For the year ended 30 June 2008

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 *Concise Financial Reports* (AASB 1039). The financial statements and specific disclosures required by AASB 1039 have been derived from the Group's full financial report for the financial year. Other information included in the concise financial report is consistent with the Group's full financial report. The concise financial report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The full financial report can be viewed on or downloaded from Coventry Group Ltd's website - www.cgl.com.au

A hard copy of the full financial report can be requested by contacting the Company Secretary on (08) 9436 5404.

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DIRECTORS' REPORT

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 controlled entities for the year ended 30 June 2008.

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:

Independent, non-executive directors
Joseph Boros
Ross Malcolm McLean, AM (resigned 5 November 2007)
Barry Frederick Nazer
John Harold Nickson (appointed 5 November 2007)

Executive directors
Roger Baden Flynn – Executive Chairman
Vince Scidone (appointed 22 February 2008)

Particulars of their qualifications, experience and special responsibilities are set out on page 8 of the Annual Report.

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)
RB Flynn	62,146	500,000
J Boros	27,320	-
JH Nickson	25,977	-
BF Nazer	61,182	-
V Scidone	13,491	100,000

During the 2007/08 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.

1. Directors (continued)

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 2008, 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
RB Flynn	17	17	-	-	-	-	-	-
J Boros	17	15	4	4	5	5	-	-
RM McLean	6	6	2	2	4	4	-	-
BF Nazer	17	17	4	4	-	-	-	-
JH Nickson	11	11	2	2	1	1	-	-
V Scidone	7	7	-	-	-	-	-	-

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 deemed 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 2008 were as follows:

	2008 $000	2007 $000
Revenue from sale of goods	**448,795**	468,330
Profit before tax	**6,998**	8,594
Income tax expense	**(1,443)**	(2,971)
Profit from continuing operations for the year	**5,555**	5,623
Profit/(loss) from discontinued operations (net of income tax)	**1,366**	(6,785)
Profit/(loss) for the year attributable to:		
– equity holders of the Company	**6,522**	(1,409)
– minority interest	**399**	247
Profit/(loss) for the year	**6,921**	(1,162)

4. Dividends

The directors have not declared a final dividend for the year ended 30 June 2008.

As no interim dividend was declared, this has resulted in no dividends being paid for the year ended 30 June 2008.

5. Review of operations and results

A review of the Group's operations for the financial year and the results of those operations are contained in pages 1 to 6 of the Concise Annual Report and in particular in the Executive Chairman's Report section.

6. Earnings per share

Basic earnings per share for the year ended 30 June 2008 was 16.6 cents. This compares to a basic loss per share of 3.8 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

Remuneration is referred to as compensation throughout this remuneration report.

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

10.1 Key Management Personnel (KMPs)

KMPs have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. The KMPs include the directors and the 5 executives exercising the greatest control over the Group's activities (as referred to in Section 300A of the Corporations Act 2001).

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

J Boros
RM McLean, AM (resigned 5 November 2007)
BF Nazer
JH Nickson (appointed 5 November 2007)

Executives

AP Hockley, Chief Financial Officer
M Ridley, Chief Information Officer
GN Wilton, Group General Manager – Automotive (appointed 1 November 2007)
J Colli, Company Secretary
DJ Beisley, Group General Manager – Automotive (resigned 6 September 2007)
PL Todd, Group HR Manager (resigned 30 May 2008)

Executive directors

RB Flynn, Executive Chairman
V Scidone, Director and Group General Manager – Industrial (appointed a Director on 22 February 2008)

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. The Remuneration Committee also seeks the advice of independent remuneration consultants to ensure non-executive directors' fees are appropriate and in line with the market. The Executive Chairman's fees are determined independently to the fees of non-executive directors based on comparable roles in the external market. 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.

For the year ended 30 June 2008 the Board determined that non-executive directors fees be allocated as follows (does not include statutory superannuation contributions):

Chairman (base fee) (i)	$nil
Non-executive Directors (base fee)	$70,000
Interstate Non-executive Director (base fee)	$81,000
Chairman of Audit & Risk Committee (in addition to base fee)	$12,000
Chairman of Remuneration Committee (in addition to base fee)	$9,000

(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

<u>Short-term incentives</u>

Short-term cash incentives of up to 25% of fixed annual compensation (for the Executive Chairman, 35% of base salary) are payable to the senior executives upon the achievement of various annual performance targets, which currently include net profit after tax, return on equity, budget earnings before interest and tax, return on capital employed (for certain executives on a consolidated basis and for others on a business unit basis) and personal goals. Such targets ensure that incentives are principally paid when value has been created for shareholders and when profit is consistent with the budget.

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.

<u>Long-term incentives</u>

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 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 Director's 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.

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.

Offers have been made in respect of the 3 year performance period commencing on 1 July 2004 ("the 2004 Offer"), on 1 July 2005 ("the 2005 Offer"), on 1 July 2006 ("the 2006 Offer") and on 1 July 2007 ("the 2007 Offer").

10. Remuneration report (continued)
10.2 Principles used to determine the nature and amount of compensation (continued)

The performance criteria for the 2004, 2005 and 2006 Offers under the ELTIP are as follows:

- One half of the offered shares will vest to the participant upon the achievement of a threshold earnings per share ("EPS") growth hurdle over the relevant 3 year performance period. The offered shares will be vested in differing amounts depending on the percentage growth in EPS in excess of the threshold level over the 3 year period being cumulative $1.548 EPS for the 2004 Offer, cumulative $1.675 for the 2005 Offer, cumulative $1.260 for the 2006 Offer and cumulative $1.220 for the 2007 Offer with all of the offered shares under these hurdles vested once an additional 10% growth in EPS over and above the threshold levels has been achieved; and

- One half of the offered shares for the 2004 Offer will vest to the participant upon the achievement of a relative total shareholder return ("TSR") hurdle over the relevant 3 year performance period. The offered shares will be vested in differing amounts depending on the Company's TSR performance over the relevant 3 year performance period compared to the TSR performance of the companies comprising the S&P/ASX Small Industrials Index at the start of the relevant performance period ("Comparator Group"). No offered shares, under this hurdle, will vest under the 2004 Offer unless the Company's TSR performance is at least equal to the TSR performance of the Company which is at the 50th percentile of the Comparator Group ranked by TSR. All offered shares under this hurdle in the 2004 Offer will be vested if the Company's TSR over the three years is equal to or greater than the TSR performance of the Company which is at the 75th percentile of the Comparator Group ranked by TSR.

  Offered shares under the 2005, 2006 and 2007 Offers are subject to the achievement of a return on equity ("ROE") hurdle over the relevant 3 year performance period. Under the ROE hurdle all offered shares in the 2005, 2006 and 2007 Offers will be vested if a ROE target of at least 12% is attained as at the end of the 2007/08, 2008/09 and 2009/10 financial years respectively.

The EPS, TSR and ROE performance hurdles were chosen to ensure that key management personnel are only rewarded when shareholder wealth is increased.

The Remuneration Committee considers the audited financial results of the Group and seeks external advice from human resources consultants in assessing the extent to which the performance hurdles have been satisfied.

During the reporting period, the 2004 Offer was assessed against the established performance hurdles. As the minimum criteria for both performance hurdles was not attained, all offers of shares under the 2004 Offer lapsed. Furthermore the 2007 Offer also lapsed as the only key management personnel who took up the offer of fully paid shares left the Company during the 2007/08 financial year.

10. Remuneration report (continued)

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

In December 2008, following an amendment to the ELTIP, options over unissued ordinary shares in the Company were granted to the executive directors and key management personnel.

The terms upon which the options 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 exercise price, in particular;
  (i) one third of the options can be exercised if the 5 day VWAP exceeds the exercise price of the options by 15%;
  (ii) one third of the options can be exercised if the 5 day VWAP exceeds the exercise price of the options by 30%; and
  (iii) one third of the options can be exercised if the 5 day VWAP exceeds the exercise 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 shareholders wealth

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

	2008 $	2007 $	2006 $	2005 $	2004 $
Profit/(loss) attributable to equity holders of the Company	**6,522,000**	(1,409,000)	9,337,000	16,556,000	14,800,000
Dividends paid	**-**	12,489,000	23,510,000	12,704,000	11,091,000
Change in share price	**(2.59)**	0.30	(1.60)	0.08	0.77

Profit is considered as one of the financial performance targets in setting the short-term incentives. The profit amounts for years 2004 and 2005 were calculated in accordance with previous Australian GAAP. The profit/(loss) amounts for 2006 onwards have been calculated in accordance with Australian equivalents to IFRS (AIFRS). Dividends and changes in share price are included in the TSR calculation which is one of the performance criteria assessed for the long-term incentives. For the 2005 Offer for the long-term incentives, return on equity has been used as one of the performance criteria as it is considered to be consistent with growth in shareholder wealth. The other performance criteria assessed for the LTI is growth in earnings per share, which again takes into account the Group's profit.

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 2008.

	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										
J Boros	-	-	-	83,658	-	-	-	83,658	-	-
JH Nickson (ii)	-	-	-	57,895	-	-	-	57,895	-	-
RM McLean (iii)	-	-	-	29,033	-	-	-	29,033	-	-
BF Nazer	82,000	-	-	7,380	-	-	-	89,380	-	-
Total	82,000	-	-	177,966	-	-	-	259,966	-	-
Executive Directors										
RB Flynn	668,752	-	-	50,000	1,606	44,400	-	764,758	5.7	5.7
V Scidone (iv)	363,076	(1,865)	27,073	36,528	18,459	13,442	-	456,713	2.5	1.8
Total	1,031,828	(1,865)	27,073	86,528	20,065	57,842	-	1,221,471	-	-

10. Remuneration report (continued)

10.3 Details of compensation (continued)

	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 %
Other key management personnel										
AP Hockley	229,505	-	-	81,790	614	6,704	-	318,613	2.1	2.1
M Ridley	233,055	-	-	35,012	592	6,704	-	275,363	2.4	2.4
GN Wilton (v)	222,471	-	-	19,007	247	6,704	-	248,429	2.7	2.7
J Colli	187,854	(957)	8,244	17,165	3,433	5,995	-	221,734	2.3	1.5
PL Todd (vi)	160,942	(517)	-	22,162	-	-	4,744	187,331	-	-
DJ Beisley (vii)	35,182	(1,886)	-	6,004	(790)	-	23,671	62,181	-	-
Total	1,069,009	(3,360)	8,244	181,140	4,096	26,107	28,415	1,313,651	-	-
Total compensation key management personnel	2,182,837	(5,225)	35,317	445,634	24,161	83,949	28,415	2,795,088	-	-

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) Appointed 5 November 2007.
(iii) Resigned 5 November 2007.
(iv) Appointed 22 February 2008.
(v) Appointed 1 November 2007.
(vi) Resigned 30 May 2008.
(vii) Resigned 6 September 2007

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 2007.

	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										
J Boros	58,000	-	-	5,220	-	-	-	63,220	-	-
WG Kent (ii)	40,759	-	-	3,668	-	-	-	44,427	-	-
CM Kyle (ii)	20,379	-	-	1,834	-	-	-	22,213	-	-
RM McLean	-	-	-	72,267	-	-	-	72,267	-	-
BF Nazer	-	-	-	75,319	-	-	-	75,319	-	-
Total	119,138	-	-	158,308	-	-	-	277,446	-	-
Executive Directors										
RB Flynn (iii)	164,735	-	-	100,000	469	-	-	265,204	-	-
CJ Glenn (iv)	406,889	2,000	12,840	37,527	(2,825)	15,566	467,077	939,074	1.9	-
Total	571,624	2,000	12,840	137,527	(2,356)	15,566	467,077	1,204,278	-	-

10. Remuneration report (continued)

10.3 Details of compensation (continued)

	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 %
Other key management personnel										
V Scidone	319,868	64,475	27,259	29,500	24,384	24,493	-	489,979	18.2	-
DJ Beisley	281,044	16,100	11,834	24,392	596	9,972	-	343,938	7.6	-
SA Cooper (v)	248,600	75	17,006	24,654	(17,528)	7,082	-	279,889	2.6	-
JS Furness (vi)	185,128	13,892	38,169	17,041	(411)	6,523	33,000	293,342	7.0	-
J Colli	158,027	14,196	11,248	14,488	10,755	12,915	-	221,629	12.2	-
AP Hockley (vii)	7,272	-	-	23,481	196	-	-	30,949	-	-
M Ridley (viii)	20,035	-	-	1,607	143	-	-	21,785	-	-
PL Todd (ix)	82,115	-	-	8,962	-	-	-	91,077	-	-
Total	1,302,089	108,738	105,516	144,125	18,135	60,985	33,000	1,772,588	-	-
Total compensation key management personnel	1,992,851	110,738	118,356	439,960	15,779	76,551	500,077	3,254,312	-	-

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 6 November 2006.
(iii) Appointed Chairman 7 November 2006; appointed Executive Chairman 11 April 2007.
(iv) Resigned as Managing Director 11 April 2007.
(v) Resigned 8 June 2007.
(vi) Resigned 28 June 2007.
(vii) Appointed 28 May 2007.
(viii) Appointed 29 May 2007.
(ix) Appointed 22 January 2007.

10. Remuneration report (continued)

10.4 Value of Shares

The fair value of services received in return for the offers of the ELTIP shares have been calculated at the date of grant using a Black-Scholes model incorporating the factors and assumptions detailed below. The fair value of the services is remeasured, having regard to non-market and service conditions only, at each balance sheet date and at settlement date.

Grant date	Expiry date	Fair value per share	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
1 July 2004	30 June 2007	$4.71	$0.01	$5.72	24%	5.4%	6.4%
28 June 2006	30 June 2008	$3.52	$0.01	$4.20	25%	5.1%	8.6%
3 October 2006	30 June 2009	$3.41	$0.01	$4.26	23%	5.8%	7.4%

10.5 Analysis of bonuses included in compensation

Details of the vesting profile of the short-term incentive cash bonuses awarded as compensation to each director and the key management personnel of the Company and Group are detailed below:

	Short-Term Incentive Cash Bonus		
	included in compensation	*% vested in year*	*% forfeited in year*
Executive Directors			
RB Flynn	-	-	-
V Scidone	(1,865) (i)	-	100
Other key management personnel			
AP Hockley	-	-	-
M Ridley	-	-	-
GN Wilton	-	-	-
J Colli	(957) (i)	-	100
PL Todd	(517) (i)	-	100
DJ Beisley	(1,886) (i)	-	100

(i) these amounts represent the difference between the accrual and actual payment for the year ended 30 June 2007.

10. Remuneration report (continued)

10.6 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.
- 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, 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

- 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.

M 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.

10. Remuneration report (continued)

10.6 Employment contracts (continued)

GN Wilton, Group General Manager – Automotive (appointed 1 November 2007)

- 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.

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.

PL Todd, Group HR Manager (resigned 30 May 2008)

- The contract had no fixed term.
- Fixed annual compensation was to be reviewed annually by the Remuneration Committee.
- Long service leave was payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans was at the discretion of the Company.
- Other than for serious misconduct, termination of employment required 12 weeks notice by the Company.

DJ Beisley, Group General Manager – Automotive (resigned 6 September 2007)

- Initial contract for a fixed term – 31 August 2005 to 31 December 2005 (subsequently extended to 31 July 2006) for the position of Business Consultant to the Company's Automotive Business Unit.
- New contract commenced 1 August 2006 for the position of Group General Manager – Automotive with the following key provisions:
  - Long service leave was payable by the Company in accordance with relevant state legislation.
  - Participation in short-term incentive plan was at the discretion of the Company.
  - Other than for serious misconduct, termination of employment required 4 weeks notice by the Company.
  - The contract was to be reviewed on 30 June 2007 (contract was not reviewed as Mr Beisley had notified the Company of his intention to resign in September 2007).

10. Remuneration report (continued)

10.7 Rights over shares granted as compensation

The movement during the reporting period in the number of rights over ordinary shares in the Company offered as compensation under the ELTIP to directors and other key management personnel of the Company and Group is as follows:

	Held at 1 July 2007	Granted as compensation	Vested during the year	Lapsed during the year (i)	Forfeited during the year (ii)	Held at 30 June 2008
Executive Directors						
RB Flynn	-	-	-	-	-	-
V Scidone	52,056	-	-	14,815	-	37,241
Other key management personnel						
DJ Beisley	19,496	-	-	-	19,496	-
PL Todd	-	-	-	-	-	-
GN Wilton	-	-	-	-	-	-
J Colli	27,466	-	-	7,881	-	19,585
AP Hockley	-	-	-	-	-	-
M Ridley	-	-	-	-	-	-

(i) 2004 Offer lapsed as none of the performance hurdles were achieved.
(ii) 2006 Offer forfeited due to resignation of Mr DJ Beisley during the reporting period.
The grant date, the fair value at grant date and expiry date of the rights over ordinary shares are shown at item 10.4 of the Remuneration Report.

10. Remuneration report (continued)

10.7 Rights over shares granted as compensation (continued)

	Held at 1 July 2006	Granted as compensation	Vested during the year	Lapsed during the year	Forfeited during the year	Held at 30 June 2007
Executive Directors						
RB Flynn	-	-	-	-	-	-
CJ Glenn	124,666	46,754	-	80,081	91,339	-
Other key management personnel						
V Scidone	75,873	22,267	-	46,084	-	52,056
DJ Beisley	-	19,496	-	-	-	19,496
SA Cooper	53,085	16,837	-	32,605	37,317	-
JS Furness	48,786	13,604	-	30,173	32,217	-
J Colli	41,519	11,625	-	25,678	-	27,466
AP Hockley	-	-	-	-	-	-
M Ridley	-	-	-	-	-	-

For the year ended 30 June 2007, 214,621 and 160,873 rights over shares were lapsed and forfeited respectively.
There were no rights over equity instruments held by non-executive directors as at 30 June 2008 and 30 June 2007.

10. Remuneration report (continued)

10.8 Analysis of rights over shares granted as compensation

Details of the vesting profile of the rights over ordinary shares granted as compensation to each director and the key management personnel of the Company and Group during the reporting period are as follows:

	Rights granted as compensation value at grant date $	Value of rights vested $	Value of rights lapsed (i) $	Value of rights forfeited (ii) $	Value included as compensation (iii) $	% of total compensation that consists of rights
Executive directors						
RB Flynn	-	-	-	-	-	-
V Scidone	-	-	66,289	-	5,062	1.1
Other key management personnel						
DJ Beisley	-	-	-	66,481	-	-
PL Todd	-	-	-	-	-	-
GN Wilton	-	-	-	-	-	-
J Colli	-	-	35,264	-	2,643	1.2
AP Hockley	-	-	-	-	-	-
M Ridley	-	-	-	-	-	-

(i) 2004 Offer lapsed as none of the performance hurdles were achieved. Value of $4.71 per right calculated in accordance with item 10.4 of the remuneration report.
(ii) 2006 Offer forfeited due to resignations of Mr DJ Beisley. Value of $3.41 per right calculated in accordance with item 10.4 of the remuneration report.
(iii) for rights subject to internal performance hurdles the value included as compensation takes into account the probability of achieving those hurdles as at balance date.
The number of rights over shares to which the above values relate are shown at item 10.7 of the remuneration report.

10. Remuneration report (continued)

10.9 Options over shares granted as compensation

Details of options over ordinary shares granted as compensation to each director and the key management personnel of the Company and Group during the reporting period are as follows:

	Number of options granted during 2008	Granted date	Fair value per option at grant date $	Exercise price per option $	Expiry date	Number of options vested during 2008
Executive directors						
RB Flynn	500,000	5 November 2007	0.44	3.88	4 November 2012	-
V Scidone	100,000	23 November 2007	0.42	3.88	22 November 2012	-
Other key management personnel						
DJ Beisley	-	-	-	-	-	-
PL Todd	-	-	-	-	-	-
GN Wilton	80,000	23 November 2007	0.42	3.88	22 November 2012	-
J Colli	40,000	23 November 2007	0.42	3.88	22 November 2012	-
AP Hockley	80,000	23 November 2007	0.42	3.88	22 November 2012	-
M Ridley	80,000	23 November 2007	0.42	3.88	22 November 2012	-

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.
All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable 5 years from the grant date. The terms and conditions of the options are detailed at 10.2.

10. Remuneration report (continued)

10.10 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director and the key management personnel of the Company and Group is detailed below:

	Granted in year $ (A)	Value of options exercised in year $ (B)	Lapsed in year $ (C)
Executive directors			
RB Flynn	222,000	-	-
V Scidone	41,900	-	-
Other key management personnel			
DJ Beisley	-	-	-
PL Todd	-	-	-
J Colli	16,760	-	-
GN Wilton	33,520	-	-
AP Hockley	33,520	-	-
M Ridley	33,520	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option pricing model. The total value of the options granted is included in the above table. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised in the year.

(C) The value of options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binominal option pricing model assuming the terms and conditions of the options have been achieved. No options lapsed in the year.

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.

During the financial year the Company disposed of two adjoining freehold properties which have been utilised by the Company's bitumen division prior to its divestment. In accordance with the Contaminated Sites Act 2003 the Company has lodged a suspected contaminated site report to the Department of Environment & Conservation for the two properties. An environmental site assessment of the properties was conducted during the financial year which revealed the existence of some soil contamination. As part of the sale of the two properties the purchaser has contractually undertaken to carry out the necessary soil remediation.

For the financial year ended 30 June 2008 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 32 to 41 of the 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

During the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and key management personnel of the Company as part of their remuneration:

	Number of options granted	Exercise price per option $	Expiry date
Executive directors			
RB Flynn	500,000	3.88	4 November 2012
V Scidone	100,000	3.88	22 November 2012
Other key management personnel			
AP Hockley	80,000	3.88	22 November 2012
M Ridley	80,000	3.88	22 November 2012
GN Wilton	80,000	3.88	22 November 2012
J Colli	40,000	3.88	22 November 2012

No options have been granted since the end of the financial year.

15. Non-audit services

During the year KPMG, the Company's auditor, did not provide any non-audit services to the Group.

Details of fees paid to KPMG for statutory audit services are set out in Note 5 of the full financial statements.

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 59 of the Annual Report and forms part of this report.

17. Company secretary

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.

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
22 August 2008

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

This statement is dated 22 August 2008 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2007/08 financial year and as at the date of this statement. If the practices have not been in place for the entire year, that is stated.

In March 2003 the ASX Corporate Governance Council (ASXCGC) issued a paper which set out 10 core principles together with best practice recommendations underlying the basis of good corporate governance. The paper defined corporate governance as follows:

"The system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised".

The Board of CGL is committed to a high standard of corporate governance.

The Board recognises that there is no single model of good corporate governance. What constitutes good corporate governance will evolve with changing circumstances facing the company and must be tailored to meet those circumstances.

CGL's corporate governance practices are monitored as changes in its regulatory and operating environment occur and are updated from time to time as required.

This statement should be read in conjunction with CGL's Concise Annual Report.

CGL's website is www.cgl.com.au. Most policies and documents underlying CGL's corporate governance practices can be found at this site.

1. ROLE OF THE BOARD AND MANAGEMENT

ASXCGC Principle 1

Lay solid foundations for management and oversight.

ASXCGC Recommendation 1.1

Formalise and disclose the functions reserved to the Board and those delegated to management.

CGL Practice

The Board has ultimate responsibility for oversight of the management and actions of CGL. It is responsible to shareholders for the Group's overall corporate governance.

The Board has a charter which formalises certain matters relating to the Board. The charter addresses the purpose and role of the Board, its powers, board membership, independence criteria, meeting formalities, board sub-committee requirements, self assessment and appointment procedures as well as a policy on directors' terms of office.

The Board Charter can be viewed on the Group's website under the tab – 'Investor Relations, Corporate Governance Summary'.

The Company has in place formal letters of engagement for non-executive directors, setting out the key terms and conditions of their appointment.

The Executive Chairman, R B Flynn, as the Chief Executive Officer of the Company, is engaged in accordance with a service contract and has a formal position description.

All senior executives of the Company are employed pursuant to formal service contracts and have formal position descriptions. The Chief Financial Officer has had his position description endorsed by the Board.

The Company has a formal Delegated Authority Policy which sets out parameters and limits for entering into contractual relationships with customers and suppliers, capital expenditure, foreign currency transactions and other operational matters. The policy is amended and updated as circumstances arise.

2. COMPOSITION OF THE BOARD

ASXCGC Principle 2

Structure the Board to add value.

ASXCGC Recommendation 2.1

A majority of the Board should be independent directors.

CGL Practice

The Board presently consists of 5 directors. 3 directors are non-executive directors and considered to be independent. The names of the directors of the Company as at the date of this statement are set out on page 10 of the Concise Annual Report.

The Board has adopted the ASXCGC definition of "independent director" and the independence criteria are set out in the Board Charter. However, in relation to the term served on the Board by a director, the Board considers that a period in excess of 12 years, of itself, is not perceived to interfere with a director's ability to act in the best interests of the Company and therefore, of itself, does not impair independence.

In relation to the term of office for the directors, the Board has adopted the following policy:

"Subject to circumstances prevailing at the time and the Company's ability to find a suitable replacement, a director shall retire from the Board no later than the earlier of:

- the conclusion of the annual general meeting occurring after the twelfth anniversary of the director's first appointment or election to the Board; or
- the conclusion of the annual general meeting occurring immediately after the director's seventieth birthday.

The Board may consider variations to this policy in exceptional circumstances."

During the 2007/08 financial year a number of changes to the composition of the Board occurred.

At the conclusion of the 2007 Annual General Meeting, Mr R M McLean retired from the Board in accordance with Company policy. This casual vacancy was filled with the appointment of Mr J H Nickson as a non-executive director.

On 22 February 2008 the Board determined in accordance with the Company's Constitution to set the maximum number of directors of the Company at 5. Mr V Scidone was appointed an executive director of the Company. Mr Scidone is the Company's Group General Manager - Industrial.

To ensure independent judgement is achieved and maintained in the decision making process, a number of measures have been implemented which include:

- directors have the right to obtain independent, professional advice on Company related matters, at the Company's expense, providing the expense is reasonable and the Chairman is notified; and
- non-executive directors meet from time to time without management in attendance.

The Board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience as outlined on page 8 of the Concise Annual Report.

To assist the Board in discharging its responsibilities, the Board has established the following Board Committees:

- Audit & Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

ASXCGC Recommendation 2.2

The Chairperson should be an independent director.

CGL Practice

On 11 April 2007, Mr R B Flynn was appointed as the Company's Executive Chairman. Mr Flynn is not independent in terms of the ASXCGC's criteria for independent directors. Accordingly the Company does not comply with this recommendation.

The Board was strongly of the view that the most suitable person to become Chief Executive upon Mr Glenn's departure was Mr Flynn, given his relevant past experience and achievements combined with his knowledge of the Company, its people and its operations. The 3 independent non-executive directors have deep insight to the business, are frequently updated and approve all major commitments in line with a clearly established authority schedule.

ASXCGC Recommendation 2.3

The roles of the Chairperson and the Chief Executive Officer should not be exercised by the same individual.

CGL Practice

With the appointment of Mr R B Flynn as Executive Chairman in April 2007 the roles of Chairperson and the Chief Executive Officer are exercised by the same person. Accordingly the Company does not comply with this recommendation.

Refer to comments for CGL Practice under ASXCGC Recommendation 2.2.

ASXCGC Recommendation 2.4

The Board should establish a Nomination Committee.

CGL Practice

The Board has established a Nomination Committee.

The members of the Nomination Committee are:

- R B Flynn (Chairman), Executive Chairman.
- R M McLean, independent non-executive director (member until 05.11.07).
- B F Nazer, independent non-executive director.
- J Boros, independent non-executive director (appointed a member on 22.08.08).

The Committee has a formal charter and its role is to ensure that the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. Its duties include:

- reviewing and making recommendations to the Board on the operation and performance of the Board;
- reviewing Board composition and recommending appointments to the Board (including the monitoring of director independence);
- reviewing Board succession plans;
- ensuring effective induction programmes are in place; and
- reviewing the composition of Board sub-committees.

The Committee is required to meet at least once a year and at other times as the Chairman of the Committee directs.

The number of Committee meetings held and attended by its members is set out on page 11 of the Concise Annual Report.

The Committee's Charter can be viewed on the Group's website under the tab – 'Investors Relations, Corporate Governance Summary'.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

ASXCGC Principle 3

Promote ethical and responsible decision-making.

ASXCGC Recommendation 3.1

Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1the practices necessary to maintain confidence in the Company's integrity.

3.1.2the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

CGL Practice

The Company has a formal Code of Conduct. The Code sets out the principles and standards with which all the Group's directors and employees are expected to comply in the performance of their respective duties. The Code requires all directors and employees to act with honesty and integrity, comply with the law and conduct themselves in the best interests of the Company.

The Code of Conduct can be viewed on the Group's website, under the tab – 'Investor Relations, Corporate Governance Summary'.

ASXCGC Recommendation 3.2

Disclose the policy concerning trading in Company securities by directors, officers and employees.

CGL Practice

The directors and employees of the Company (which includes senior management) are permitted to trade in the Company's securities at any time, subject to insider trading legislation and the possession of price sensitive information.

A standing agenda item at each monthly Board meeting is consideration of whether the directors and senior management are in possession of price sensitive information which would preclude the buying or selling of the Company's securities. The same agenda item is also on the monthly Senior Management Team meetings.

It is the responsibility of each director and senior manager to ensure that the insider trading provisions of the law are observed.

The Company's Code of Conduct requires that all directors and employees observe the insider trading law which prohibits the buying or selling of the Company's securities at any time if they are in possession of price sensitive information that has not been released to the market.

Each director has entered into an undertaking with the Company regarding the obligation for the timely disclosure to the ASX of any changes to their interest in securities of the Company.

4. INTEGRITY OF FINANCIAL REPORTING

ASXCGC Principle 4

Safeguard integrity in financial reporting.

ASXCGC Recommendation 4.1

Requires the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

CGL Practice

The Company's Chief Executive Officer and Chief Financial Officer report in writing to the Audit & Risk Committee and the Board that the consolidated financial statements of Coventry Group Ltd and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with the relevant accounting standards.

ASXCGC Recommendation 4.2

The Board should establish an Audit Committee.

CGL Practice

The Board has established an Audit & Risk Committee.

ASXCGC Recommendation 4.3

Structure the Audit Committee so that it consists of:

- only non-executive directors;
- a majority of independent directors;
- an independent chairperson, who is not chairperson of the Board; and
- at least three members.

CGL Practice

The members of the Audit & Risk Committee are:

- B F Nazer (Chairman), independent non-executive director
- J Boros, independent non-executive director
- R M McLean, independent non-executive director (a member until 05.11.07).
- J H Nickson, independent non-executive director (appointed a member on 07.11.07)

The number of Committee meetings held and attended by its members is set out on page 12 of the Annual Report.

The Chief Executive Officer, internal and external auditors and the Chief Financial Officer attend meetings by invitation.

Details of the experience of the members of the Committee are set out on page 8 of the Annual Report and indicate that each is suitably qualified to be a member of the Audit & Risk Committee.

ASXCGC Recommendation 4.4

The Audit Committee should have a formal charter.

CGL Practice

The Company's Audit & Risk Committee has a formal charter which sets out its role, composition and duties and responsibilities.

The primary objective of the Committee is to assist the Board in discharging its responsibilities in relation to financial reporting, legal compliance requirements, maintenance of effective and efficient audits (both external and internal) and risk management of the Group.

The Committee's Charter can be viewed on the Group's website, under the tab – 'Investor Relations, Corporate Governance Summary'.

5. CONTINUOUS DISCLOSURE TO ASX

ASXCGC Principle 5

Make a timely and balanced disclosure.

ASXCGC Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

CGL Practice

The Board observes the continuous disclosure obligations as imposed by the ASX Listing Rules. The matter is continuously monitored by the Group's executive management and regularly reviewed by the Board on a monthly basis as a standing agenda item.

All notifications and announcements to the ASX are posted on the Company's website, under the tab – 'Investor Relations, ASX Announcements'.

The Company has a formal policy for communicating with the investment community and the media. The Executive Chairman and Chief Financial Officer are the only persons authorised to communicate on behalf of the Company for these specific groups. The Company Secretary is the responsible person for all communications with the ASX.

6. COMMUNICATION WITH SHAREHOLDERS

ASXCGC Principle 6

Respect the rights of shareholders.

ASXCGC Recommendation 6.1

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

CGL Practice

The Company encourages regular and timely communication with its shareholders and other stakeholders. Communication channels used by the Company include:

- regular shareholder communication such as the Half Year Report, Annual Report and, as appropriate, other periodic advices such as director changes;
- shareholder access to communications through the use of information technology such as the Company's website (www.cgl.com.au) where all key notices, policies and documents are posted; and
- a direct link from the Company's website to Computershare Investor Services, the Company's share registry service provider.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals. Important issues are presented to shareholders as single resolutions. Shareholders are encouraged to submit written questions to the Board prior to the Annual General Meeting. The Executive Chairman's address at the Annual General Meeting is simultaneously released to the ASX and posted on the website.

The Company does not webcast or make a video of proceedings at an Annual General Meeting as the relative size of the Company's shareholder base does not warrant the cost.

ASXCGC Recommendation 6.2

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

CGL Practice

The Company's practice is to ensure the Group's external auditor attends the Annual General Meeting and is available to answer questions from shareholders on matters relating to the audit of the Group's accounts. Prior to the Annual General Meeting shareholders are invited to submit written questions to the external auditor.

7. RISK MANAGEMENT

ASXCGC Principle 7

Recognise and manage risk.

ASXCGC Recommendation 7.1

The Board or appropriate Board Committee should establish policies on risk oversight and management.

CGL Practice

During the 2007/08 financial year external consultants were engaged to review the established risk registers for the respective business units of the Group. The aim is to formalise a risk management policy as well as identify the status of the Group's material business risks. It is anticipated that this process will be completed in the latter part of the 2008 calendar year.

The Company has in place an online trade practices compliance program as part of an initiative to mitigate risks in this area.

ASXCGC Recommendation 7.2

The Chief Executive Officer and the Chief Financial Officer should state in writing that:

7.2.1the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

7.2.2the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CGL Practice

The Company's Chief Executive Officer and Chief Financial Officer have reported in writing to the Audit & Risk Committee and the Board that:

(i) the statement given in accordance with Council's best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

(ii) the Company's risk management and internal compliance and control framework is mostly operating efficiently and effectively in all material respects and where not so operating, is being brought into compliance.

8. ENHANCEMENT OF PERFORMANCE

ASXCGC Principle 8

Encourage enhanced performance.

ASXCGC Recommendation 8.1

Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

CGL Practice

The Board's charter stipulates that an annual performance evaluation of the Board be undertaken. The Audit & Risk Committee also has a requirement for regular self assessment.

The annual review of the Board is carried out through the review and analysis of responses to a confidential questionnaire completed by each director, which poses specific questions on issues surrounding meeting logistics, work programme, interaction with management and any perceived strengths and weaknesses of the Board and its Committees.

Following a review of the content of the questionnaires by the Chairman, a summary of the overall result is distributed to and discussed by Directors. Significant issues identified or changes recommended are actioned in the Board's ongoing development programme.

The Company has a formal induction programme for all newly appointed directors.

Arrangements also are in place to monitor the performance of senior executives of the Group. The direct reports to the Chief Executive Officer have formal performance reviews at least once a year.

The Board monitors the performance of the Chief Executive Officer and his direct reports (in consultation with the Chief Executive Officer) to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

9. REMUNERATION

ASXCGC Principle 9

Remunerate fairly and responsibly.

ASXCGC Recommendation 9.1

Provide disclosure in relation to the Company's remuneration policies to enable investors to understand:

(i) the costs and benefits of those policies; and

(ii) the link between remuneration paid to directors and key executives and corporate performance.

CGL Practice

The Company's policies relating to the Directors' and senior executives' remuneration and the level of their remuneration are set out in the Remuneration Report on pages 13 to 29 of the Concise Annual Report.

ASXCGC Recommendation 9.2

The Board to establish a Remuneration Committee.

CGL Practice

The Board has established a Remuneration Committee.

The members of the Remuneration Committee are:

- R M McLean, independent non-executive director (Chairman until 30.09.07; member until 05.11.07)
- J Boros, independent non-executive director (appointed Chairman on 30.09.07)
- J H Nickson, independent non-executive director (appointed a member 07.12.07).

The Committee has a formal charter. The role of the Committee is to assist the Board in ensuring that appropriate and effective remuneration packages and policies are implemented for the Chief Executive Officer, executive directors (if any) and those executives who report directly to the Chief Executive Officer. The Committee also reviews non-executive directors' remuneration.

The Committee is required to meet twice a year and at other times as the Chairman of the Committee directs.

The Chief Executive Officer, who attends by invitation, absents himself from meetings before any discussion by the Committee in relation to his own remuneration.

The number of Committee meetings held and attended by its members is set out on page 11 of the Concise Annual Report.

The Committee's Charter can be viewed on the Group's website, under the tab – 'Investor Relations, Corporate Governance Summary'.

ASXCGC Recommendation 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

CGL Practice

The remuneration of non-executive directors is reviewed on a periodic basis by the Remuneration Committee having regard to the work load of the directors and the level of fees paid to non-executive directors of other companies of similar size and nature.

The aggregate amount payable to non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders at the Annual General Meeting. Further details of non-executive directors' remuneration are contained in the Remuneration Report on pages 13 to 29 of the Concise Annual Report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the Remuneration Report on pages 13 to 29 of the Concise Annual Report.

ASXCGC Recommendation 9.4

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

CGL Practice

The Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Executive Long Term Incentive Plan was approved by shareholders at the 2003 Annual General Meeting.

The long term incentive for 2007/08 included the Executive Chairman and involved the issue of unlisted options. The issue was approved by shareholders at the 2007 Annual General Meeting.

10. INTERESTS OF STAKEHOLDERS

ASXCGC Principle 10

Recognise the legitimate interests of stakeholders.

ASXCGC Recommendation 10.1

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

CGL Practice

The Company has a formal Code of Conduct. The Code must be observed by all directors and employees of the Company.

The Code reinforces the Company's fundamental principle that all officers will undertake all business activities in strict adherence to the Company's values for the benefit of our employees, customers, suppliers and other stakeholders. The Company's values include:

- act with honesty and integrity;
- act professionally at all times;
- be accountable for respective areas of business to optimize shareholder returns;
- strive for innovation and continuous improvement;
- communicate openly and honestly; and
- attract and retain people of the highest skills and competencies.

The Board has also adopted a formal policy for the Group in compliance with privacy legislation which applies to private sector organisations.

The Code of Conduct and Privacy Policy can be viewed on the Group's website under the tab – 'Investor Relations, Corporate Governance Summary'.

INCOME STATEMENT

For the year ended 30 June 2008

In thousands of AUD	Note	Consolidated 2008	2007
Revenue from sale of goods		448,795	468,330
Cost of sales		(273,678)	(285,535)
Gross profit		175,117	182,795
Other revenue		2,563	2,731
Other income		6,833	125
Employee benefits expense		(103,752)	(97,345)
Depreciation and amortisation expenses		(5,337)	(7,172)
Occupancy costs		(10,920)	(10,543)
Communication costs		(3,578)	(3,077)
Freight		(10,437)	(9,440)
Impairment, write off and restructuring costs		(365)	(8,757)
Other expenses		(38,389)	(35,769)
Profit before financing costs		11,735	13,548
Financial income		313	240
Financial expenses		(5,050)	(5,194)
Net financing costs		(4,737)	(4,954)
Profit before tax		6,998	8,594
Income tax expense		(1,443)	(2,971)
Profit from continuing operations for the year		5,555	5,623
Discontinued operation			
Profit/(loss) from discontinued operations (net of income tax)	6	1,366	(6,785)
Profit/(loss) for the year		6,921	(1,162)
Attributable to:			
Equity holders of the Company	5	6,522	(1,409)
Minority interest		399	247
Profit/(loss) for the year		6,921	(1,162)

Discussion and analysis of the Income Statement

For the year ended 30 June 2008

The Group's total revenue from sale of goods, from its continuing operations declined 4.2% to $448.8 million. The Group's total revenue for the year, including sales from the discontinued operations, is $482.8 million. Group profit after tax, returned to a profit of $6.9 million after the Group recorded a loss after tax of $1.2 million for last year. However results in both years were in aggregate adversely affected by materially significant items, as disclosed in Note 4 and in this discussion and analysis, amounting to $1.0 million in the current year and $17.4 million in last year.

Details of the revenue and results by segment are shown in Note 3 but further analysis is as follows:

Automotive parts distribution

- Revenues declined by 16.4% to $202.4 million. Losses before interest and tax increased from $8.2 million in 2007 to $19.6 million in the current year. However, results in both years were adversely affected by materially significant items as disclosed in Note 3, amounting to $8.3 million in the current year and $9.6 million for last year. These results are attributable to:
  - Significant decline in the Group's revenue and results from its key market in Western Australia. The combination (over a six month period) of introduction of a new computer system, move of its administration, sales and distribution centre and relocation of its warehousing and distribution operations caused major business disruption. The consequent impact on the business's ability to service its customers resulted in a significant decline in revenues, which combined with increased operating costs during the disruption led to decreased profitability.
  - General improvement was shown in the business's operations in South Australia.
  - It was determined to exit from the Group's under performing businesses in Queensland and the Northern territory. The sales of these businesses were completed in June 2008 and the result from those businesses and the sales thereof are shown in Note 6.

		Consolidated	
In thousands of AUD	**Note**	**2008**	**2007**
Earnings per share:			
Basic earnings/(loss) per share		16.6 cents	(3.8) cents
Diluted earnings/(loss) per share		16.2 cents	(3.7) cents
Continuing operations			
Basic earnings per share		13.1 cents	14.3 cents
Diluted earnings per share		12.8 cents	14.3 cents

The notes on pages 48 to 56 are an integral part of these consolidated financial statements.

Discussion and analysis of the Income Statement (continued)

Industrial products distribution

- Revenues increased by 5.5% to $272.7 million. Profit before tax declined 8.5% to $20.9 million. These results are attributable to:
  - The Fasteners business unit did show signs of decline in both revenues and profitability. Generally results in the more resource related states of Western Australia and Queensland were stronger whilst the “Eastern states” with higher reliance on manufacturing and construction were weaker. The business in New Zealand generally performed well given the general weakness in the economy.
  - The Cooper Fluids business unit performed strongly. The business has a high bias to resource activities and the principal areas of activity are in Western Australia and Queensland. During the year the business expanded activities into South Australia and Victoria.
  - The Cabinet Hardware Furniture business unit performed poorly both in Australia and its small operation in New Zealand. The business has rationalised its activities under the Artia brand in the latter part of the year.

Gaskets manufacturing

- Revenues increased by 3.8% to $11.6 million. Profit before tax increased 63.9% to $2.0 million. These results are attributable to:
  - The business units performed strongly both in Australia and in New Zealand. The business supplies the automotive after market from its manufactured and imported product range.

Bitumen Products

- The Bitumen products business unit was sold in June 2007 and the costs recorded in the current year are in respect of additional provisioning required in respect of receivables impairment. The land associated with this discontinued operation was sold in June 2008 and realised a net gain of $7.0 million as disclosed in Note 4.

The effective tax rate reduced from 34.6% in 2007 to 20.6% for 2008 because of the recognition of carry forward tax losses. The basic earnings per share returned to a positive 16.6 cents per share but it has been determined that no dividend will be declared in respect of the current year.

BALANCE SHEET

As at 30 June 2008

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007
Assets			
Cash and cash equivalents		3,294	2,356
Trade and other receivables		87,351	87,982
Inventories		96,666	105,354
Income tax receivable		2,417	1,082
Total current assets		189,728	196,774
Investments		-	-
Deferred tax assets		14,638	10,042
Property, plant and equipment		35,795	49,289
Intangible assets		42,678	40,550
Derivatives asset		1,271	914
Total non-current assets		94,382	100,795
Total assets		284,110	297,569
Liabilities			
Trade and other payables		46,564	36,977
Interest-bearing loans and borrowings		49,053	5,164
Employee benefits		10,881	10,944
Income tax payable		251	-
Provisions		2,177	572
Total current liabilities		108,926	53,657
Interest-bearing loans and borrowings		-	72,719
Employee benefits		2,292	3,110
Total non-current liabilities		2,292	75,829
Total liabilities		111,218	129,486
Net assets		172,892	168,083

Discussion and analysis of the Balance Sheet

For the year ended 30 June 2008

The Group's net assets increased by 2.8% to $172.9 million.

The Group's total assets decreased by 4.5% ($13.5 million) to $284.1 million over the current year.

The decrease in total assets is principally comprised by:

- A reduction in inventories of $8.7 million (8.2%). $5.5 million of this figure is in respect of inventories realised from the sale of the automotive parts businesses in Queensland and the Northern Territory (see Note 6). The Group also increased the impairment provision in respect of inventories by $4.2 million (see Note 4).
- A reduction in property, plant and equipment of $13.5 million, $0.9 million of this figure is in respect of property, plant and equipment realised from the sale of the automotive parts businesses in Queensland and the Northern territory (see Note 6). The Group also determined that it would affect a sale and lease back of its motor vehicle fleet. This transaction was completed in March 2008 and reduced property, plant and equipment by $8.4 million. Additionally surplus land and other property were sold during the year including the sale under Note 4.
- Deferred tax assets increased by $4.6 million to $14.6 million largely as a result of carry forward revenue and capital tax losses.
- Intangible assets increased by $2.1 million to $42.7 million largely due to continuing expenditure on information technology systems.

In thousands of AUD	Note	Consolidated 2008	2007
Equity			
Issued capital	5	112,676	112,676
Reserves	5	23,582	24,667
Retained earnings	5	33,977	27,984
Total equity attributable to equity holders of the Company		170,235	165,327
Minority interest		2,657	2,756
Total equity		172,892	168,083

The notes on pages 48 to 56 are an integral part of these consolidated financial statements.

Discussion and analysis of the Balance Sheet (continued)

Current liabilities increased by $55.3 million to $108.9 million due to an increase in trade payables of $6.8 million; an increase in accrued expenses of $2.8 million; an increase in provisions of $1.6 million whilst short term borrowings of $5.2 million were repaid. As the Australian Accounting Standards require that if a borrower does not have an unconditional right to defer repayment beyond 12 months from balance date, the entire draw down facility at 30 June 2008 ($49.1 million) has been classified as a current liability. Subsequent to balance date, the bank has confirmed that it will not require payment of this facility at a time earlier than 7 July 2009.

Non-current liabilities decreased by $73.5 million to $2.3 million due to the repayment of $23.2 million of the bill acceptance facility and the reclassification of the remaining drawn facility and a decrease in non-current employee entitlements of $0.8 million.

Issued capital at $112.7 million remained unchanged.

Total equity increased by $4.9 million to $57.6 million mainly as a result of an increase in retained earnings, movements in foreign currency translation reserve and minority interests.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

In thousands of AUD	Note	Consolidated 2008	2007
Total equity at the beginning of the financial year		168,083	166,425
Changes in the fair value of cash flow hedges		263	491
Exchange differences on translation of foreign operations		(2,002)	1,331
Net income recognised directly in equity		(1,739)	1,822
Profit/(loss) for the year		6,921	(1,162)
Total recognised income and expense for the year	5	5,182	660
Transactions with equity holders in their capacity as equity holders			
Contribution of equity		-	13,803
Changes in value of share based payments reserve		53	55
Dividends provided for or paid		-	(12,489)
Dividends paid to minority interests in controlled entities		(426)	(371)
		(373)	998
Total equity at the end of the financial year	5	172,892	168,083
Total recognised income and expense for the year is attributable to:			
Equity holders of the Company		4,855	369
Minority interest		327	291
		5,182	660

The notes on pages 48 to 56 are an integral part of these consolidated financial statements.

Discussion and analysis of the Statement of Changes in Equity
For the year ended 30 June 2008

There were no significant changes in equity for the year other than as described fully in the statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

In thousands of AUD	Note	Consolidated 2008	2007
Cash flows from operating activities			
Cash receipts from customers		547,597	589,849
Cash paid to suppliers and employees		(529,231)	(569,462)
Cash generated from operations		18,366	20,387
Interest paid		(4,153)	(5,163)
Income taxes paid		(2,447)	(5,245)
Net cash from operating activities		11,766	9,979
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		18,179	1,365
Proceeds from sale of business		8,114	7,440
Interest received		313	240
Dividends received		-	-
Acquisition of business, net of cash acquired		(712)	(418)
Acquisition of property, plant and equipment		(3,295)	(11,076)
Acquisition of intangible assets		(5,034)	(7,559)
Loans to controlled entities		-	-
Net cash from (used in) investing activities		17,565	(10,008)
Cash flows from financing activities			
Proceeds from borrowings		13,000	6,000
Repayment of borrowings		(36,198)	(10,254)
Issue of shares		-	9,452
Dividends paid		-	(8,138)
Dividends paid to outside equity interests	5	(426)	(371)
Net cash used in financing activities		(23,624)	(3,311)
Net increase in cash and cash equivalents		5,707	(3,340)
Cash and cash equivalents at 1 July		(2,413)	927
Cash and cash equivalents at 30 June		3,294	(2,413)

The notes on pages 48 to 56 are an integral part of these consolidated financial statements.

Discussion and analysis of the Statement of Cash Flows

For the year ended 30 June 2008

Cash flows from operating activities increased by $1.8 million to $11.8 million mainly due to decreased taxation of $2.8 million due to reduced profit levels and also reduced interest paid of $1.0 million from reduced debt levels. A reconciliation of cash flows from operating activities is shown in the full financial statements.

Cash flows from investing activities are evident from the cash flow statements and relates largely to acquisition or disposal of businesses or property, plant and equipment.

Cash flows from financing activities are evident from the cash flow statements and relates largely to net repayment of borrowings and dividends paid to minority interests.

1. Basis of preparation of concise financial report

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and liabilities for cash settled share based payment arrangements.

A full description of the accounting policies adopted by the Group may be found in the Group's full financial report.

These accounting policies have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by each entity in the Group.

The presentation currency is Australian dollars.

2. 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 any future periods affected.

Management discussed and agreed with the Audit & Risk Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. 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 of the full financial statements:

- Note 12 – allowance for inventory impairment losses
- Note 15 – utilisation of tax losses
- Note 17 – measurement of the recoverable amount of cash generating units containing goodwill
- Note 24 – allowance for trade receivable impairment losses

Change in estimates

During the year ended 30 June 2008 the Group conducted an operational efficiency review of its Company-wide information system, which resulted in changes in its expected usage. As a result the estimated useful life of this asset was extended to 12 years.

The effect of these changes on depreciation expense, recognised in profit or loss, in current and future periods is as follows:

In thousands of AUD	**2008**	**2009**	**2010**	**2011**	**2012**	**Later**
Decrease/(increase) in depreciation	439	985	985	985	985	(4,377)

3. Segment reporting

Segment information is presented in respect of the Group's business segments. The format is consistent with the Group's management and internal reporting structure.

Inter segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

- Automotive Parts Distribution
- Industrial Products Distribution
- Gasket Manufacturing
- Bitumen products (discontinued since June 2007)

The Group operates primarily in one geographical segment, being Australia.

3. Segment reporting (continued)

Industry Segments	Automotive parts distribution		Industrial products distribution		Bitumen products (discontinued)		Gasket manufacturing		Eliminations		Consolidated		Less discontinued operations		Continued operations	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Sales to customers outside the consolidated entity	201,319	240,847	270,772	255,639	(27)	16,972	10,751	9,869	-	-	482,815	523,327	34,020	54,997	448,795	468,330
Inter segment sales	419	(29)	522	1,470	-	-	808	1,134	(1,749)	(2,575)	-	-	-	-	-	-
Other revenue	699	1,215	1,398	1,441	-	281	-	128	-	-	2,097	3,065	120	430	1,977	2,635
Segment revenue	202,437	242,033	272,692	258,550	(27)	17,253	11,559	11,131	(1,749)	(2,575)	484,912	526,392	34,140	55,427	450,772	470,965
Unallocated corporate revenue											586	96	-	-	586	96
Total segment revenue											485,498	526,488	34,140	55,427	451,358	471,061
Segment result	(19,610)	(8,228)	20,907	22,859	(384)	1,351	1,951	1,190	-	-	2,864	17,172	(4,191)	(9,676)	7,055	26,848
Unallocated net corporate revenue/(expense)											4,680	(13,300)	-	-	4,680	(13,300)
Results from operating activities											7,544	3,872	(4,191)	(9,676)	11,735	13,548
Net financing costs											(4,737)	(4,954)	-	-	(4,737)	(4,954)
Results from Operating activities before tax											2,807	(1,082)	(4,191)	(9,676)	6,998	8,594
Income tax (expense)/benefit											(186)	(2,721)	1,257	250	(1,443)	(2,971)
Gain on sale of discontinued operations (net of income tax)											4,300	2,641	4,300	2,641	-	-
Profit/(loss) for the year											6,921	(1,162)	1,366	(6,785)	5,555	5,623
Segment assets	77,115	90,055	142,008	144,796	350	2,952	10,322	10,124	1,384	(1,175)	231,179	246,752				
Unallocated corporate assets											52,931	50,817				
Total assets											284,110	297,569				
Segment liabilities	23,545	20,839	31,276	36,998	345	1,136	1,404	1,160	1,384	(1,175)	57,954	58,958				
Unallocated corporate liabilities											53,264	70,528				
Total liabilities											111,218	129,486				

3. Segment reporting (continued)

Industry Segments	Automotive parts distribution		Industrial products distribution		Bitumen products (discontinued)		Gasket manufacturing		Eliminations		Consolidated	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,487	7,945	1,430	3,408	-	385	138	181	-	-	3,055	11,919
Unallocated corporate acquisition of non-current assets											5,483	6,335
Total acquisition of property, plant and equipment, intangibles and other non-current assets											8,538	18,254
Segment depreciation and amortisation expense	1,783	1,849	1,750	2,076	-	531	257	363	-	-	3,790	4,819
Unallocated net corporate depreciation and amortisation expense											2,015	3,333
Total depreciation and amortisation expense											5,805	8,152
Segment other non-cash expenses	2,453	261	(400)	1,901	185	(52)	11	(10)	-	-	2,249	2,100
Unallocated corporate non-cash expenses											(143)	(220)
Total other non-cash expenses											2,106	1,880
Individually material items included in net profit before interest and tax:												
Relocation costs	(3,093)	-	(8)	-	-	-	-	-	-	-	(3,101)	-
Unallocated corporate relocation costs	-	-	-	-	-	-	-	-	-	-	(246)	-
Increase in provision for obsolete stock	(3,679)	-	(500)	-	-	-	-	-	-	-	(4,179)	-
Restructuring costs	(1,543)	-	-	-	(383)	-	-	-	-	-	(1,926)	-
Unallocated restructuring costs	-	-	-	-	-	-	-	-	-	-	(26)	-
Unallocated net gain on sale of land and buildings	-	-	-	-	-	-	-	-	-	-	6,962	-
Impairment loss on goodwill on automotive parts distribution business	-	(8,835)	-	-	-	-	-	-	-	-	-	(8,835)

3. Segment reporting (continued)

Industry Segments	Automotive parts distribution		Industrial products distribution		Bitumen Products (discontinued)		Gasket manufacturing		Eliminations		Consolidated	
In thousands of AUD	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Loss on exiting NSW automotive parts distribution business	-	(728)	-	-	-	-	-	-	-	-	-	(728)
Unallocated corporate executive termination payment	-	-	-	-	-	-	-	-	-	-	-	(500)
Unallocated corporate write down on Company-wide information system	-	-	-	-	-	-	-	-	-	-	-	(10,352)
	(8,315)	(9,563)	(508)	-	(383)	-	-	-	-	-	(2,516)	(20,415)

4. Individually material items included in profit before tax

In thousands of AUD	Note	Consolidated 2008	Consolidated 2007
Net gain on sale of business	6	1,505	3,000
Impairment loss on goodwill of automotive parts distribution business (i)		-	(8,835)
Loss from exiting New South Wales automotive parts distribution business		-	(728)
Net gain on sale of land and buildings		6,962	-
Relocation costs		(3,347)	-
Restructuring costs		(1,952)	-
Additional increase in provision for obsolete stock		(4,179)	-
Write down of Company-wide information system and expenditure related to non recurring IT contracts (ii)		-	(10,352)
Executive termination payment		-	(500)
		(1,011)	(17,415)

4. Individually material items included in profit before tax (continued)

(i) Due to lower than expected sales, an impairment loss of $8,835,000 was recognised during 2007 to reduce the carrying amount of goodwill of the automotive parts distribution businesses in Queensland and Northern Territory to recoverable amount. The impairment tests for those businesses were 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 year five cash flows, were discounted at a pre-tax discount rate of 11.97%. The projected cash flows were based on detailed operating budgets for the year ending 30 June 2008 approved by the board, and higher level forecasts for the following four years approved by management.

The carrying amount of the Queensland and Northern Territory automotive parts distribution business goodwill was written down to nil. Further details are set out in Note 17 of the full financial report.

(ii) Details of the Company-wide information system write off which was recognised during 2007 are set out in Note 17 of the full financial report.

5. Capital and reserves

Reconciliation of movement in capital and reserves
Consolidated

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 2006	606	137	(861)	22,856	22,738	98,873	41,978	163,589	2,836	166,425
Total recognised income and expense	-	491	1,287	-	1,778	-	(1,409)	369	291	660
Equity settled share based payment transactions	55	-	-	-	55	-	-	55	-	55
Transfer to reserve	-	-	-	96	96	-	(96)	-	-	-
Contribution of equity	-	-	-	-	-	13,803	-	13,803	-	13,803
Dividends to shareholders	-	-	-	-	-	-	(12,489)	(12,489)	(371)	(12,860)
Balance at 30 June 2007	661	628	426	22,952	24,667	112,676	27,984	165,327	2,756	168,083
Balance at 1 July 2007	661	628	426	22,952	24,667	112,676	27,984	165,327	2,756	168,083
Total recognised income and expense	-	263	(1,930)	-	(1,667)	-	6,522	4,855	327	5,182
Equity settled share based payment transactions	53	-	-	-	53	-	-	53	-	53
Transfer to reserve	-	-	-	529	529	-	(529)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	(426)	(426)
Balance at 30 June 2008	714	891	(1,504)	23,481	23,582	112,676	33,977	170,235	2,657	172,892

5. Capital and reserves (continued)

Reconciliation of movement in capital and reserves (continued)

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 revalued non-current assets.

Share based payments reserve

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

Dividends

No dividends were recognised in the current year by the Company.

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
2007				
Interim 2007 ordinary	17 cents	6,375	Franked	29 March 2007
Final 2006 ordinary	17 cents	6,114	Franked	12 October 2006
Total amount		12,489		

Franked dividends declared or paid during 2007 were franked at the tax rate of 30%.

6. Discontinued operations

In June 2008 the Group sold the majority of assets of two divisions within its Automotive parts distribution segment. The two divisions were not discontinued operations or classified as held for sale as at 30 June 2007 and the comparative income statement has been re-presented to show the discontinued operations separately from continuing operations. Included in the 2007 comparative results of discontinued operations is the Bitumen segment which was disposed at 30 June 2007.

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

	Consolidated	
In thousands of AUD	**2008**	**2007**
Results of discontinued operations		
Revenue	34,020	54,997
Other revenue	120	430
Other income	51	46
Expenses	(38,382)	(65,149)
Results from operating activities	(4,191)	(9,676)
Income tax benefit	1,257	250
Gain on sale of discontinued operation	1,505	3,000
Income tax benefit/(expense) on capital loss/gain on sale of discontinued operations	2,795	(359)
Profit/(loss) for the year	1,366	(6,785)
Basic earnings/(loss) per share	3.5 cents	(18.1) cents
Diluted earnings/(loss) per share	3.4 cents	(18.0) cents

6. Discontinued operations (continued)

	Consolidated	
In thousands of AUD	**2008**	**2007**
Cash flows from discontinued operations		
Net cash used in operating activities	(813)	(438)
Net cash from (used in) investing activities	1,906	(884)
Net cash from (used in) discontinued operations	1,093	(1,322)
Effect of disposal on the financial position of the Group		
Property, plant and equipment	(947)	(3,818)
Trade and other receivables	(702)	-
Inventories	(5,505)	(310)
Trade and other payables	820	230
Deferred tax liabilities	(130)	(69)
Net identifiable assets and liabilities	(6,464)	(3,967)
Net consideration received, satisfied in cash	7,969	6,967

DIRECTORS' DECLARATION

1. In the opinion of the directors of Coventry Group Ltd, the concise financial statements and notes set out on pages 42 to 56 and the remuneration disclosures that are contained in Sections 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10 of the Remuneration Report in the Directors' Report, of the Group, comprising Coventry Group Ltd and its controlled entities for the financial year ended 30 June 2008:

   (a) has been derived from or is consistent with the full financial report for the financial year; and

   (b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Signed in accordance with a resolution of the directors.

Executive Chairman

Perth
22 August 2008

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Coventry Group Ltd
Report on the concise financial report

The accompanying concise financial report of the Group comprising Coventry Group Limited (the Company) and its controlled entities comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes 1 to 6 derived from the audited financial report of Coventry Group Ltd for the year ended 30 June 2008 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report
The directors of the Coventry Group Ltd are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Coventry Group Ltd for the year ended 30 June 2008. Our audit report on the financial report for the year was signed on 22 August 2008 and was not subject to any modification. The Australian 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 for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and whether the discussion and analysis complies with the requirements laid down in Australian Accounting Standard AASB 1039 *Concise Financial Reports*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion
In our opinion, the concise financial report including the discussion and analysis, of Coventry Group Ltd and its controlled entities for the year ended 30 June 2008 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

KPMG

T R Hart
Partner

Perth
22 August 2008

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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 2008 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

T R Hart
Partner

Perth
22 August 2008

SHAREHOLDER INFORMATION

as at 8 September 2008

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares Number	% of Total
1. RBC Dexia Investor Services Australia Nominees Pty Limited (BK Cust A/C)	6,669,587	16.93
2. JP Morgan Nominees Australia Limited	3,408,263	8.65
3. National Nominees Limited	2,576,393	6.54
4. Australian Foundation Investment Company Limited	1,650,000	4.19
5. Dorsett Investments Pty Ltd	1,455,895	3.69
6. Swanwall Holdings Pty Ltd	1,408,535	3.57
7. Citicorp Nominees Pty Limited	1,166,599	2.69
8. Anne Kyle	1,000,000	2.54
9. Fortis Clearing Nominees Pty Ltd	836,619	2.12
10. Argo Investments Limited	740,703	1.88
11. Malcolm James McCusker	734,511	1.86
12. Sandhurst Trustees Ltd (SISF A/C)	652,073	1.65
13. HSBC Custody Nominees (Australia) Ltd	446,641	1.13
14. Gwynvill Trading Pty Ltd	400,000	1.02
15. Citicorp Nominees Pty Ltd (CFSIL Cwlth Aust SHS 14 A/C)	398,222	1.01
16. Forum Investments Pty Ltd	350,000	0.89
17. Geoffrey Michael Kyle	310,000	0.79
18. Clifford Maxwell Kyle	301,208	0.76
19. Joan Merle Smith	234,427	0.59
20. Pinemont Plantations Pty Ltd	216,942	0.55
	24,956,618	63.32

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	1,191	36.99	486,171	1.23
1,001 to 5,000	1,415	43.95	3,647,752	9.26
5,001 to 10,000	333	10.34	2,418,060	6.14
10,001 to 100,000	248	7.70	6,071,618	15.41
100,001 and over	33	1.02	26,782,684	67.96
	3,220	100.00	39,406,285	100.00

There were 525 holders of less than a marketable parcel of shares.

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 8 September 2008.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Investors Mutual Limited	7,727,328	21.08.2007
Paradice Investment Management Pty Ltd	3,356,600	03.09.2007

VOTING RIGHTS

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

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

CORPORATE DIRECTORY

Coventry Group Ltd
ABN 37 008 670 102

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Secretary
John Colli

Bankers
Westpac Banking Corporation

Auditors
KPMG
Central Park
152-158 St. George's Terrace
Perth, Western Australia 6000

Share Registry
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St. George's Terrace
Perth, Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

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

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