

Coventry Group Ltd
and its controlled entities

ABN 37 008 670 102

Financial Report
30 June 2011

Coventry Group Ltd and its controlled entities

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Coventry Group Ltd and its controlled entities

Statement of comprehensive income

For the year ended 30 June 2011

	Note	Consolidated	
		2011	2010 Represented
<i>In thousands of AUD</i>			
Continuing operations			
Revenue from sale of goods		229,365	226,230
Cost of sales		(136,460)	(132,327)
Gross profit		92,905	93,903
Other revenue		1,765	1,638
Other income	3	13	2,002
Employee benefits expense	5	(54,324)	(52,961)
Depreciation and amortisation expenses		(3,240)	(3,146)
Occupancy costs		(6,825)	(7,000)
Communication costs		(2,231)	(2,088)
Freight		(7,216)	(6,450)
Impairment of goodwill	17	(21,089)	-
Other expenses		(16,026)	(18,694)
Profit/(loss) before financing costs		(16,268)	7,204
Financial income	6	382	324
Financial expenses	6	(179)	(1,467)
Net financing costs		203	(1,143)
Profit/(loss) before income tax		(16,065)	6,061
Income tax expense	7	(1,298)	(1,779)
Profit/(loss) from continuing operations for the year		(17,363)	4,282
Discontinued operation			
Profit from discontinued operations (net of income tax)	26	544	2,693
Profit/(loss) for the year		(16,819)	6,975
Other comprehensive income/(loss)			
Effective portion of changes in the fair value of cash flow hedges		-	218
Net change in fair value of cash flow hedges transferred to profit or loss		-	577
Foreign currency translation differences		(1,455)	191
Income tax (expense)/recovery on other comprehensive income/(loss)		-	(298)
Other comprehensive income/(loss) for the year, net of income tax		(1,455)	688
Total comprehensive income/(loss) for the year		(18,274)	7,663
Profit/(loss) attributable to:			
Equity holders of the Company		(17,341)	6,474
Minority interest		522	501
Profit/(loss) for the year		(16,819)	6,975
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		(18,774)	7,167
Minority interest		500	496
Total comprehensive income/(loss) for the period		(18,274)	7,663
Earnings per share:			
Basic earnings/(loss) per share:	8	(43.4) cents	16.3 cents
Diluted earnings/(loss) per share:	8	(43.4) cents	16.3 cents
Continuing operations			
Basic earnings per share:	8	(44.7) cents	9.5 cents
Diluted earnings per share:	8	(44.7) cents	9.5 cents

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

The 2010 comparatives have been represented for discontinued operations, see note 26.

Coventry Group Ltd and its controlled entities

Statement of changes in equity

For the year ended 30 June 2011

In thousands of AUD

	Note	Consolidated	
		2011	2010
Total equity at the beginning of the financial year		174,041	170,384
Total comprehensive income for the period			
Profit/(loss) for the year		(16,819)	6,975
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax		-	152
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	402
Foreign currency translation differences, net of tax		(1,455)	134
Total other comprehensive income		(1,455)	688
Total comprehensive income for the period	23	(18,274)	7,663
Transactions with owners, recorded directly in equity			
Own shares acquired		(184)	(338)
Share based payment transactions		113	70
Employee share issue		401	-
Dividends to equity holders		(7,596)	(4,361)
Dividends paid to minority interests in controlled entities		(495)	(481)
Dividend re-investment – share issues		-	1,104
Total transactions with owners		(7,761)	(4,006)
Total equity at the end of the financial year	23	148,006	174,041

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

Coventry Group Ltd and its controlled entities

Statement of financial position

As at 30 June 2011

<i>In thousands of AUD</i>	Note	Consolidated	
		2011	2010
Assets			
Cash and cash equivalents	9	7,066	5,730
Trade and other receivables	10	59,097	63,978
Inventories	11	53,173	82,633
Assets classified as held for sale	12	37,784	-
Income tax receivable	13	-	31
Total current assets		157,120	152,372
Deferred tax assets	15	13,545	11,756
Property, plant and equipment	16	17,033	27,049
Intangible assets	17	10,009	36,109
Total non current assets		40,587	74,914
Total assets		197,707	227,286
Liabilities			
Trade and other payables	18	37,593	38,793
Interest bearing loans and borrowings	19	-	812
Employee benefits	20	7,067	10,242
Liabilities classified as held for sale	12	3,235	-
Income tax payable	13	327	278
Provisions	22	299	778
Total current liabilities		48,521	50,903
Employee benefits	20	841	1,721
Provisions	22	339	621
Total non current liabilities		1,180	2,342
Total liabilities		49,701	53,245
Net assets		148,006	174,041
Equity			
Issued capital	23	113,659	113,442
Reserves	23	23,057	24,377
Retained earnings	23	8,560	33,497
Total equity attributable to equity holders of the Company	23	145,276	171,316
Minority interest	23	2,730	2,725
Total equity	23	148,006	174,041

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

Coventry Group Ltd and its controlled entities

Statement of cash flows

For the year ended 30 June 2011

<i>In thousands of AUD</i>	Note	Consolidated	
		2011	2010
Cash flows from operating activities			
Cash receipts from customers		442,818	434,806
Cash paid to suppliers and employees		(434,088)	(410,355)
Cash generated from operations		8,730	24,451
Interest paid		(179)	(1,209)
Income taxes received/(paid)		(979)	(81)
Net cash from operating activities	28	7,572	23,161
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		772	3,340
Interest received		155	45
Disposal of discontinued operation, net of cash disposed of		5,389	-
Acquisition of property, plant and equipment	16	(5,072)	(1,986)
Acquisition of intangible assets	17	(395)	(93)
Net cash from investing activities		849	1,306
Cash flows from financing activities			
Proceeds from borrowings		-	15,262
Repayment of borrowings		(812)	(34,684)
Payments for share buy-back		(184)	(338)
Payments for settlement of derivatives		-	(310)
Dividends paid		(5,594)	(3,257)
Dividends paid to outside equity interests	23	(495)	(481)
Net cash used in financing activities		(7,085)	(23,808)
Net increase in cash and cash equivalents		1,336	659
Cash and cash equivalents at 1 July		5,730	5,071
Cash and cash equivalents at 30 June	9	7,066	5,730

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies

Coventry Group Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is at 525 Great Eastern Highway Redcliffe WA 6104 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2011 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the directors on 26 August 2011.

(a) Statement of compliance

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

(b) Basis of preparation

The financial report is presented in Australian dollars, which is the Company's functional currency. The financial report is prepared on the historical cost basis except that derivative financial instruments and share based payments are stated at their fair value.

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

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

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

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

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

(c) Basis of consolidation

Controlled entities

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

Transactions eliminated on consolidation

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

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the income statement. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit and loss as part of the gain or loss on disposal.

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

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

(e) Derivative financial instruments

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

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Hedging

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

Cash flow hedges

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

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

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

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

Hedge of monetary assets and liabilities

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

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

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Inventories

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

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

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

(i) Trade and other receivables

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

(j) Property, plant and equipment

Owned assets

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

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

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

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

Leased assets

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

Subsequent costs

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Depreciation

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

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

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

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

Disposal

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

(k) Intangible assets

Goodwill

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

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

Computer software

Computer software comprises licence costs and direct costs incurred in preparing for the operation of that software, including associated process re-engineering costs. Computer software is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation of intangibles

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date that they are available for use. In the current and comparative periods, goodwill was estimated to have an indefinite useful life, distribution rights were estimated to have a useful life of 10 years and computer software was estimated to have a useful life of 3 to 12 years.

(l) Impairment

Financial assets

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(l) Impairment (continued)

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

Non financial assets

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

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

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

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

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

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

(m) Interest bearing loans and borrowings

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(n) Current and non-current assets held for sale

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

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

(o) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is non vesting and has not been provided for. Employee benefits expected to be settled within one year have been measured at the undiscounted amounts expected to be paid when the liabilities are settled including related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits including related on-costs.

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

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

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

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

(p) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Warranties

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(p) Provisions (continued)

Restructuring

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

Make good

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

(q) Trade and other payables

Trade and other payables are stated at amortised cost.

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

(r) Revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and goods and services tax payable to the taxation authority.

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

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

(s) Operating lease payments

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

(t) Net financing costs

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

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

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

(u) Segment reporting

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

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(u) Segment reporting (continued)

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

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

(v) Income tax

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

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

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

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

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

Tax consolidation

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

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

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(v) Income tax (continued)

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

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

(w) Goods and services tax

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

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

(x) Earnings per share

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

(y) Accounting estimates and judgements

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

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

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

(z) Discontinued operations

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not be applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classifications and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

2. Segment reporting

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

- *Automotive Parts Distribution*: Includes distribution of automotive parts
- *Industrial Products Distribution*: Includes distribution of fasteners, fluid hydraulics and cabinet hardware products
- *Gaskets Manufacturing*: Includes manufacturing and distributing gaskets

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

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

2. Segment reporting (continued)

Business Segments	Note	Automotive parts distribution (discontinued)		Industrial products distribution		Gasket manufacturing		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
<i>In thousands of AUD</i>									
External sales		166,243	166,867	216,824	213,476	12,540	12,760	395,607	393,103
Other revenue		596	763	1,483	1,549	158	-	2,237	2,312
External revenue		166,839	167,630	218,307	215,025	12,698	12,760	397,844	395,415
Inter segment revenue		-	29	660	12	462	567	1,122	608
Total revenue for reportable segments		166,839	167,659	218,967	215,037	13,160	13,327	398,966	396,023
Depreciation and amortisation		977	807	1,059	834	228	237	2,264	1,878
Reportable segment profit or (loss) before finance costs, income tax and material items		1,104	3,394	5,104	7,760	2,663	2,563	8,871	13,717
Redundancy		-	(126)	(250)	(261)	-	-	(250)	(387)
Restructuring costs		164	387	(450)	(131)	-	-	(286)	256
Increase in doubtful debt provision		-	(191)	-	(243)	-	-	-	(434)
Increase in obsolete stock provision	11	-	-	-	(1,292)	-	-	-	(1,292)
Impairment loss on software	26	(3,119)	-	-	-	-	-	(3,119)	-
Impairment loss on goodwill	17	-	-	(21,089)	-	-	-	(21,089)	-
Impairment loss on property, plant and equipment		-	-	-	(131)	-	-	-	(131)
Reportable segment profit or (loss) before finance costs and income tax		(1,851)	3,464	(16,685)	5,702	2,663	2,563	(15,873)	11,729
Reportable segment assets		53,266	65,167	96,232	111,520	11,531	11,480	161,029	188,167
Reportable segment liabilities		16,022	19,154	25,072	26,539	1,530	1,538	42,624	47,231
Capital Expenditure		3,677	525	3,295	897	138	159	7,110	1,581

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

2. Segment reporting (continued)

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

In thousands of AUD

	2011	2010
Revenues		
Total revenue for reportable segments	398,966	396,023
Other revenue	125	112
Elimination of inter segment revenue	(1,122)	(608)
Elimination of discontinued operations	(166,839)	(167,659)
Consolidated revenue and other revenue	<u>231,130</u>	<u>227,868</u>
Profit or loss		
Total profit/(loss) for reportable segments	(15,873)	11,729
Unallocated amounts: other corporate expenses and income	(2,246)	(674)
Net finance costs	203	(1,143)
Consolidated profit before income tax	<u>(17,916)</u>	<u>9,912</u>
Elimination of discontinued operations	1,851	(3,851)
Consolidated profit before income tax from continuing operations	<u>(16,065)</u>	<u>6,061</u>
Assets		
Total assets for reportable segments	161,029	188,167
Other assets	36,678	39,119
Consolidated total assets	<u>197,707</u>	<u>227,286</u>
Liabilities		
Total liabilities for reportable segments	42,624	47,231
Other liabilities	7,077	6,014
Consolidated total liabilities	<u>49,701</u>	<u>53,245</u>

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

2. Segment reporting (continued)

Other material items 2011

In thousands of AUD

	Reportable segment totals	Adjustments	Consolidated totals
Employee share issue	-	(401)	(401)
Share based payments	-	(113)	(113)
Redundancy	(250)	-	(250)
Restructuring costs	(286)	-	(286)
Impairment loss on software	(3,119)	-	(3,119)
Impairment loss on goodwill	(21,089)	-	(21,089)
	(24,744)	(514)	(25,258)

Other material items 2010

In thousands of AUD

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

3. Other income

In thousands of AUD

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

Consolidated	
2011	2010
	Represented
8	1,878
5	124
13	2,002

4. Auditors' remuneration

In AUD

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

KPMG New Zealand:

Audit of financial reports

Other services

Auditors of the Company

KPMG:

Tax services

Consolidated	
2011	2010
242,785	255,600
35,959	35,433
19,072	24,544
19,072	24,544

5. Personnel expenses

In thousands of AUD

Wages and salaries

Other associated personnel expenses

Contributions to superannuation funds

Liability for annual leave and long service leave

Consolidated	
2011	2010
	Represented
44,535	43,364
1,011	1,308
3,847	3,887
4,931	4,402
54,324	52,961

6. Net financing costs

In thousands of AUD

Interest income from other entities

Net foreign exchange gain

Financial income

Interest expense

Net change in fair value of financial assets at
fair value through profit or loss

Net change in fair value of cash flow hedges

Financial expenses

Net financing costs/(income)

Consolidated	
2011	2010
155	45
227	279
382	324
179	1,303
-	(16)
-	180
179	1,467
(203)	1,143

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

7. Income tax expense

Recognised in the income statement

In thousands of AUD

Note	Consolidated	
	2011	2010
		Represented
Current tax expense		
Current year	1,081	911
Adjustments for prior years	(107)	-
	<u>974</u>	<u>911</u>
Deferred tax expense		
Origination and reversal of temporary differences	212	1,988
Exchange rate movements on temporary differences brought forward	-	36
Revenue tax losses not recognised	482	-
Recognition of previously unrecognised capital losses	(2,783)	-
Effect of tax rate changes applicable to foreign controlled entity	18	2
	<u>(2,071)</u>	<u>2,026</u>
Income tax expense	<u>(1,097)</u>	<u>2,937</u>
Income tax expense/(benefit) from continuing operations	1,298	1,779
Income tax expense/(benefit) from discontinued operations	26 (2,395)	1,158
Total income tax expense	<u>(1,097)</u>	<u>2,937</u>

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of AUD

	Consolidated	
	2011	2010
Profit/(loss) for the period	(16,819)	6,975
Total income tax expense	(1,097)	2,937
Profit excluding income tax	<u>(17,916)</u>	<u>9,912</u>
Income tax using the Company's domestic tax rate of 30% (2009: 30%)	(5,375)	2,974
Non-deductible expenditure	263	82
Loss on sale of assets	-	(78)
Non-deductible impairment loss	6,405	39
(Over)/under provision in prior periods	(107)	(85)
Current year losses for which no deferred tax asset was recognised	482	-
Recognition of previously unrecognised capital losses	(2,783)	-
Effect of higher/(lower) tax rate applicable to foreign controlled entity	18	5
	<u>(1,097)</u>	<u>2,937</u>

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

7. Income tax expense (continued)

Income tax recognised directly in equity

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
Derivatives	-	237
Translation reserve	2	61
Total income tax recognised directly in equity	2	298

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2011 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011, calculated as follows:

Profit/(loss) attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated					
	2011			2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Represented Discontinued operations	Total
Profit/(loss) for the year	(17,885)	544	(17,341)	3,781	2,693	6,474
Profit/(loss) attributable to ordinary shareholders	(17,885)	544	(17,341)	3,781	2,693	6,474

Weighted average number of ordinary shares

<i>In thousands of shares</i>	2011	2010
Issued ordinary shares at 1 July	39,907	39,406
Effect of employee share offer, dividend reinvestment & share buy back	90	382
Weighted average number of ordinary shares at 30 June	39,997	39,788

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2011 was based on loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2011	2010
Weighted average number of ordinary shares at 30 June (basic)	39,997	39,788
Weighted average number of ordinary shares (diluted) at 30 June	39,997	39,788

Earnings per share

Basic (loss)/earnings per share	(43.4) cents	16.3 cents
Diluted (loss)/earnings per share	(43.4) cents	16.3 cents

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

9. Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
Cash on hand	70	84
Bank balances	6,215	4,749
Call deposits	781	897
Cash and cash equivalents	7,066	5,730

The Group has a bank overdraft facility as disclosed at note 19, of which \$nil was drawn down at 30 June 2011.

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

10. Trade and other receivables

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
Trade receivables	57,798	61,596
	57,798	61,596
Other receivables	211	1,115
Prepayments	1,088	1,267
	1,299	2,382
Total trade and other receivables	59,097	63,978

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 24. Included in "other expenses" in the income statement are impairment losses on trade receivables for the Group of \$940,749 (2010: \$1,177,000).

11. Inventories

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
Finished goods	53,173	82,633
	53,173	82,633

During the year ended 30 June 2011 the write-down of inventories to net realisable value, recognised in "other expenses", amounted to \$1,687,589 (2010: \$1,952,000) for the Group. The write-down of inventories to net realisable value includes additional increase in provision of \$Nil (2010: \$1,292,000) which is considered material as disclosed in note 2.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

12. Assets classified as held for sale

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

Following the contracted sale of Coventry WA automotive business and the completed sale of the Motor Traders SA automotive business the Board has agreed to sell the associated land and buildings associated with these businesses. The land and buildings have now been classified as held for sale and it is expected that these assets will be sold in the 12 months to 30 June 2012.

Assets classified as held for sale

In thousands of AUD

	2011
Land and Buildings	10,164
Property, plant and equipment	1,506
Inventories	26,114
	37,784

Liabilities classified as held for sale

In thousands of AUD

	2011
Employee benefits	3,235
	3,235

Valuation

The Group's carrying value of land and buildings held for sale at 30 June 2011 is \$10,164,000. The Group policy is to obtain independent valuation of freehold land and buildings every 3 years, which was last carried out at March 2011. The valuation of the properties based on March 2011 valuation is \$22,580,000.

13. Current tax assets and liabilities

The current tax asset for the Group of \$Nil (2010: \$31,000) represent the amount of income taxes recoverable in respect of the current and prior financial periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the Group of \$327,000 (2010:\$278,000) represents the amount of income taxes payable in respect of current and prior financial periods.

14. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Coventry Group Ltd.

<i>In thousands of AUD</i>	Company	
	2011	2010
Results of the parent entity		
Profit/(loss) for the period	(6,450)	7,559
Other comprehensive income	-	556
Total comprehensive income for the period	(6,450)	8,115

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
14. Parent entity disclosure (continued)

Financial position of parent entity at year end	Company	
	2011	2010
Current assets	139,223	132,892
Total assets	204,284	220,637
Current liabilities	45,824	47,578
Total liabilities	46,656	49,293
Total equity of the parent entity comprising of:		
Issued capital	113,659	113,442
Reserves	25,608	25,495
Retained earnings	18,361	32,407
Total equity	157,628	171,344

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

15. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Trade and other receivables	(384)	(662)	23	27	(361)	(635)
Inventories	(2,778)	(3,061)	-	-	(2,778)	(3,061)
Property, plant and equipment	(24)	(15)	3,066	1,131	3,042	1,116
Intangible assets	(1,350)	-	78	2,964	(1,272)	2,964
Employee benefits	(3,339)	(3,588)	-	-	(3,339)	(3,588)
Trade and other payables	(330)	(431)	23	-	(307)	(431)
Provisions	(268)	(496)	-	-	(268)	(496)
Translation reserve	(479)	(477)	-	-	(479)	(477)
Tax loss carry forward-capital	(1,433)	-	-	-	(1,433)	-
Tax loss carry forward-income	(6,350)	(7,148)	-	-	(6,350)	(7,148)
Tax (assets) / liabilities	(16,735)	(15,878)	3,190	4,122	(13,545)	(11,756)
Set off of deferred tax liability	3,190	4,122	(3,190)	(4,122)	-	-
Net deferred tax asset	(13,545)	(11,756)	-	-	(13,545)	(11,756)

The Group has recognised a deferred tax asset of \$13,545,000 (2010: \$11,756,000), of which \$7,783,000 (2009: \$7,148,000) relates to carried forward tax losses.

It is expected that future income arising from the profitability of existing operations and strategic acquisitions would be sufficient to recoup carried forward income tax losses. Carried forward capital losses are expected to be utilised by the Group with capital gains arising from the sale of land and buildings, classified as held for sale, over the following 12 months.

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

15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousands of AUD

	Balance	Recognised in income	Recognised in equity	Balance	Recognised in income	Recognised in equity	Balance
	1-Jul-09			30-Jun-10			30-Jun-11
Trade, other receivables and derivative assets	(1,484)	849	-	(635)	274	-	(361)
Derivatives	(272)	35	237	-	-	-	-
Inventories	(3,133)	72	-	(3,061)	283	-	(2,778)
Property, plant and equipment	1,197	(81)	-	1,116	1,926	-	3,042
Intangibles	2,950	14	-	2,964	(4,236)	-	(1,272)
Employee benefits	(3,796)	208	-	(3,588)	249	-	(3,339)
Trade and other payables	(387)	(44)	-	(431)	124	-	(307)
Provisions	(719)	223	-	(496)	228	-	(268)
Translation reserve	(538)	-	61	(477)	-	(2)	(479)
Tax value of income loss carry forwards recognised	(7,860)	712	-	(7,148)	798	-	(6,350)
Tax value of capital loss carry forwards recognised	-	-	-	-	(1,433)	-	(1,433)
	(14,042)	1,988	298	(11,756)	(1,787)	(2)	(13,545)

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

16. Property, plant and equipment

In thousands of AUD

Cost

	Land and buildings	Consolidated Plant and equipment	Total
Balance at 1 July 2009	15,647	37,141	52,788
Other acquisitions	10	1,976	1,986
Impairment	-	(226)	(226)
Disposals	(1,393)	(3,262)	(4,655)
Effect of movements in foreign exchange	-	8	8
Balance at 30 June 2010	<u>14,264</u>	<u>35,637</u>	<u>49,901</u>
Balance at 1 July 2010	14,264	35,637	49,901
Other acquisitions	53	5,019	5,072
Disposals	-	(6,947)	(6,947)
Reclassification to assets held for sale	(12,018)	(1,979)	(13,997)
Effect of movements in foreign exchange	-	(65)	(65)
Balance at 30 June 2011	<u>2,299</u>	<u>31,665</u>	<u>33,964</u>

Valuation

The Group's carrying value of land and buildings at 30 June 2011 is \$1,939,000. The Group policy is to obtain independent valuation of freehold land and buildings every 3 years, which was last carried out at June 2011. The valuation of the properties based on June 2011 valuation is \$4,100,000.

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

16. Property, plant and equipment (continued)

	Land and buildings	Consolidated Plant and equipment	Total
<i>In thousands of AUD</i>			
Depreciation and impairment losses			
Balance at 1 July 2009	1,965	21,973	23,938
Depreciation charge for the year	193	2,043	2,236
Impairment	-	(95)	(95)
Disposals	(134)	(3,100)	(3,234)
Effect of movements in foreign exchange	-	7	7
Balance at 30 June 2010	<u>2,024</u>	<u>20,828</u>	<u>22,852</u>
Balance at 1 July 2010	2,024	20,828	22,852
Depreciation charge for the year	189	2,297	2,486
Disposals	-	(6,044)	(6,044)
Reclassification to assets held for sale	(1,853)	(474)	(2,327)
Effect of movements in foreign exchange	-	(36)	(36)
Balance at 30 June 2011	<u>360</u>	<u>16,571</u>	<u>16,931</u>
Carrying amounts			
At 1 July 2009	<u>13,682</u>	<u>15,168</u>	<u>28,850</u>
At 30 June 2010	<u>12,240</u>	<u>14,809</u>	<u>27,049</u>
At 1 July 2010	12,240	14,809	27,049
At 30 June 2011	<u>1,939</u>	<u>15,094</u>	<u>17,033</u>

Security

As at 30 June 2011, property, plant and equipment with a carrying amount of \$14,112,000 (2010: \$24,251,000) was subject to various security charges in relation to the Group's finance facilities.

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

17. Intangible assets

In thousands of AUD

Cost

	Goodwill	Consolidated Distribution rights	Computer software	Total
Balance at 1 July 2009	40,533	641	20,357	61,531
Acquisitions through business combinations	-	-	93	93
Additions	-	-	(2)	(2)
Disposals	-	-	(821)	(821)
Effect of movements in foreign exchange	95	-	-	95
Balance at 30 June 2010	<u>40,628</u>	<u>641</u>	<u>19,627</u>	<u>60,896</u>
Balance at 1 July 2010	40,628	641	19,627	60,896
Additions	-	-	395	395
Impairment	-	-	(4,838)	(4,838)
Disposals	-	-	(74)	(74)
Effect of movements in foreign exchange	(553)	-	(3)	(556)
Balance at 30 June 2011	<u>40,075</u>	<u>641</u>	<u>15,107</u>	<u>55,823</u>

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

In thousands of AUD

Amortisation and impairment losses

	Goodwill	Consolidated Distribution rights	Computer software	Total
Balance at 1 July 2009	17,201	490	6,172	23,863
Amortisation for the year	-	73	1,645	1,718
Impairment	-	-	(2)	(2)
Disposals	-	-	(792)	(792)
Balance at 30 June 2010	<u>17,201</u>	<u>563</u>	<u>7,023</u>	<u>24,787</u>

Balance at 1 July 2010	17,201	563	7,023	24,787
Amortisation for the year	-	78	1,653	1,731
Impairment	21,089	-	(1,719)	19,370
Disposals	-	-	(71)	(71)
Effect of movements in foreign exchange	-	-	(3)	(3)
Balance at 30 June 2011	<u>38,290</u>	<u>641</u>	<u>6,883</u>	<u>45,814</u>

Carrying amounts

At 1 July 2009	<u>23,332</u>	<u>151</u>	<u>14,185</u>	<u>37,668</u>
At 30 June 2010	<u>23,427</u>	<u>78</u>	<u>12,604</u>	<u>36,109</u>
At 1 July 2010	<u>23,427</u>	<u>78</u>	<u>12,604</u>	<u>36,109</u>
At 30 June 2011	<u>1,785</u>	<u>-</u>	<u>8,224</u>	<u>10,009</u>

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

Goodwill Impairment

In thousands of AUD

Impairment of goodwill ⁽ⁱ⁾

Consolidated	
2011	2010
21,089	-
<u>21,089</u>	<u>-</u>

⁽ⁱ⁾ In the half year ended 31 December 2010 the Group assessed the recoverable amounts of the cash generating units of the Fasteners business resulting in an impairment loss of \$21.1million. The impairment resulted from adverse economic and trading conditions impacting the Group's current and forecast position. The recoverable amounts of the impaired Fasteners cash generating units were based on value in use calculations that were determined by discounting expected future cashflows.

The following units have carrying amounts of goodwill:

In thousands of AUD

Australian fastener distribution
New Zealand fastener distribution
Cooper Fluid Systems

Consolidated	
2011	2010
-	11,832
-	9,810
1,785	1,785
<u>1,785</u>	<u>23,427</u>

The impairment tests for the cash generating units identified above are based on value in use calculations, in which projected pre-tax cash flows for the next five years, together with a terminal value based on long-term growth rates, have been discounted at a pre-tax discount rate ranging between 14.4% and 15.2%. The discount rate was estimated based on an industry average weighted average cost of capital which was based on a possible debt leveraging of 29% (2010: 36%). The projected cash flows are based on detailed operating budgets for the year ending 30 June 2012 approved by the Board, and forecasts for the following four years approved by management. Goodwill is attributable to the Industrial operating segment.

Beyond the 2012 budgeted cash flows, growth rates of 4% were applied through to 2016 with terminal value growth rates of 2.5% applied in 2017 for Australian and New Zealand units respectively, which is consistent with long term growth forecasts.

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

17. Intangible assets (continued)

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

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

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

18. Trade and other payables

In thousands of AUD

Trade payables

Non trade payables and accrued expenses

Consolidated	
2011	2010
28,656	32,344
8,937	6,449
37,593	38,793

19. Interest-bearing loans and borrowings

In thousands of AUD

Current

Interchangeable multi currency revolving facility - secured

Consolidated	
2011	2010
-	812
-	812

Financing facilities

Total facilities available at balance sheet date

Interchangeable multi currency revolving facility

Bank overdraft

Bill acceptance facility

Guarantee facility

Corporate credit card facility

23,593	-
-	7,000
-	33,652
2,257	1,012
750	1,125
26,600	42,789

Facilities utilised at balance sheet date

Interchangeable multi currency revolving facility

Bill acceptance facility

Guarantee facility

Corporate credit card facility

-	-
-	812
1,584	764
640	1,125
2,224	2,701

Facilities not utilised at balance sheet date

Interchangeable multi currency revolving facility

Bank overdraft

Bill acceptance facility

Guarantee facility

Corporate credit card facility

23,593	-
-	7,000
-	32,840
673	248
110	-
24,376	40,088

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

19. Interest-bearing loans and borrowings (continued)

Financing arrangements

During the six month period to 31 December 2010, the Group transferred its banking facilities from Westpac Banking Corporation to the Australian and New Zealand Banking Group Ltd ("ANZ"). The facility with ANZ which is AUD\$25 million (\$1.58 million drawn as at 30 June 2011) extends to 20 October 2012.

Interchangeable multi currency revolving facility

The interchangeable facility is available for working capital, acquisition finance and capital management.

The facility can be utilised as an AUD bank overdraft, AUD commercial bill or NZD term loan.

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

The balance of the \$25 million facility, including any undrawn bank overdraft facility may be available for draw-down as an AUD commercial bill or NZD term loan. Interest is charged at prevailing market rates.

Guarantee facility

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

Corporate credit card facility

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

Securities

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

20. Employee benefits

Current

In thousands of AUD

Liability for long service leave

Liability for annual leave

	Consolidated	
	2011	2010
Liability for long service leave	3,122	4,051
Liability for annual leave	3,945	6,191
	<u>7,067</u>	<u>10,242</u>

Non-current

In thousands of AUD

Liability for long service leave

	Consolidated	
	2011	2010
Liability for long service leave	841	1,721
	<u>841</u>	<u>1,721</u>

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

21. Share-based payments

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

During the years ended 30 June 2008 and 30 June 2011 under the ELTIP, share options were granted to the executive directors and key management personnel that entitle them to purchase shares in the Company. No options vested, exercised or lapsed for the years ended 30 June 2009, 30 June 2010 and 30 June 2011.

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

Grant date	Number of options	Vesting conditions	Contractual life of options
5-Nov-07	166,667	Provided the share price reaches a value of greater than 15% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
5-Nov-07	166,667	Provided the share price reaches a value of greater than 30% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
5-Nov-07	166,666	Provided the share price reaches a value of greater than 45% above the underlying spot price (\$3.65) at the date of issue, on or before 4 November 2012	5 years
23-Nov-07	126,667	Provided the share price reaches a value of greater than 15% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
23-Nov-07	126,667	Provided the share price reaches a value of greater than 30% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
23-Nov-07	126,666	Provided the share price reaches a value of greater than 45% above the underlying spot price (\$3.58) at the date of issue, on or before 22 November 2012	5 years
17-Sep-10	450,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
1-Oct-10	100,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
29-Oct-10	500,000	One third of the options may be exercised, at \$2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
	(80,000)	Less: options forfeited (2009)	
Total share options	1,850,000		

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

21. Share based payments (continued)

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted through the ELTIP were independently valued using the Black Scholes option pricing model to validate the valuation prices calculated by the binomial option pricing model.

The inputs used in the measurement of the fair values at grant date of the share based payments are as follows:

Fair value of share options and assumptions

	Key management personal 2011	Senior employees 2011
Fair value at grant date		
- Tranche A	\$0.613	-
- Tranche B	\$0.684	\$0.684
- Tranche C	\$0.607	-
Share price at grant date		
- Tranche A	\$2.27	-
- Tranche B	\$2.40	\$2.40
- Tranche C	\$2.25	-
Exercise price	\$2.27	\$2.27
Expected volatility (weighted average volatility)	55%	55%
Option life (expected weighted average life)	3	3
Expected dividends	7.57%	7.57%
Risk-free interest rate (based on government bonds)		
- Tranche A	4.70%	-
- Tranche B	4.80%	4.80%
- Tranche C	4.92%	-

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	\$3.88	800,000	\$3.88	800,000
Granted during the period	\$2.27	1,050,000	-	-
Outstanding at 30 June	\$2.97	1,850,000	\$3.88	800,000

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

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
2008 Options – equity settled	70	70
2010 Options – equity settled	43	-
	113	70

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

22. Provisions

Current

	Lease makegood	Warranty	Restructuring/ onerous contracts ⁽ⁱ⁾	Total
<i>In thousands of AUD</i>				
Balance at 1 July 2010	239	319	220	778
Provisions made during the year	-	340	141	481
Provisions used during the year	(239)	(501)	(220)	(960)
Balance at 30 June 2011	-	158	141	299

Non-current

	Lease makegood	Warranty	Restructuring/ onerous contracts ⁽ⁱ⁾	Total
<i>In thousands of AUD</i>				
Balance at 1 July 2010	-	-	621	621
Provisions made during the year	-	-	90	90
Provisions used during the year	-	-	(372)	(372)
Balance at 30 June 2011	-	-	339	339

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

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

23. Capital and reserves

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

	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
<i>In thousands of AUD</i>										
Balance at 1 July 2010	214	-	(1,119)	25,282	24,377	113,442	33,497	171,316	2,725	174,041
Total comprehensive income for the period										
Profit or Loss	-	-	-	-	-	-	(17,341)	(17,341)	522	(16,819)
<i>Other comprehensive income</i>										
Effective portion of changes in the fair value of cash flow hedges	-	-	(1,433)	-	(1,433)	-	-	(1,433)	(22)	(1,455)
Total other comprehensive income	-	-	(1,433)	-	(1,433)	-	-	(1,433)	(22)	(1,455)
Total comprehensive income for the period	-	-	(1,433)	-	(1,433)	-	(17,341)	(18,774)	500	(18,274)
Transactions with owners, recorded directly in equity										
Own shares acquired	-	-	-	-	-	(184)	-	(184)	-	(184)
Share based payment transactions	113	-	-	-	113	-	-	113	-	113
Employee share issue	-	-	-	-	-	401	-	401	-	401
Dividends to equity holders/ re-invested	-	-	-	-	-	-	(7,596)	(7,596)	(495)	(8,091)
Balance at 30 June 2011	327	-	(2,552)	25,282	23,057	113,659	8,560	145,276	2,730	148,006

Amounts are stated net of tax

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

23. Capital and reserves (continued)

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

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

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities
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23. Capital and reserves (continued)

Share capital

<i>In thousands of shares</i>	The Company	
	Ordinary shares	
	2011	2010
On issue at 1 July	39,907	39,406
Dividend reinvestment	-	670
Share buy back ⁽ⁱ⁾	(88)	(169)
Employee share scheme ⁽ⁱⁱ⁾	178	-
On issue at 30 June – fully paid	39,997	39,907

(i) In 2009 the Group announced an on-market share buy back of up to 10% of its issued ordinary shares. The 12 month buy back period commenced on 23 November 2009 and was refreshed for a further 12 months on 23 November 2010.

(ii) In September 2010 the Group offered a share purchase plan to eligible employees (793 in total) with 3 full years' service. The offer was 225 fully paid ordinary shares in the Company at no cost to the employee. Employees who accepted this offer have the same rights as other ordinary shareholders with the exception that they are unable to trade for a period of 5 years from the date of issue of the shares. The market value of these shares was the closing price of the Coventry Group Ltd traded on the ASX on the issue date. The Company issued 178,425 fully paid ordinary shares at a value of \$2.25 each to eligible employees.

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

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

Translation reserve

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

Hedging reserve

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

Realisation reserve

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

23. Capital and reserves (continued)

Share based payments reserve

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

Dividends

The following dividends were declared and paid by the Group:

Paid during the year 2011	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Final 2010 Ordinary Dividend	8.0	3,190	Fully Franked	21 September 2010
First Interim 2011 Ordinary Dividend	6.0	2,404	Fully Franked	25 March 2011
Total Amount		5,594		

Payable after end of year	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Second Interim 2011 Ordinary Dividend	5.0	2,002	Fully Franked	08 July 2011
Final 2011 Ordinary Dividend (i)	11.0	4,386	Fully Franked	23 September 2011
		6,388		

(i) The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2011, as it was declared after the year end, and will be recognised in subsequent financial reports.

Dividend franking account

In thousands of AUD

	The Company	
	2011	2010
30 per cent franking credits available to shareholders of the Company for subsequent financial years	17,422	20,118

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

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$1,879,546 (2010: \$1,368,000).

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

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

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

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not normally require collateral in respect of trade and other receivables.

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management (continued)

Credit risk (continued)

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

Liquidity risk

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

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

Note 19 sets out the terms and conditions attaching to the Group's facility.

Market risk

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

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The currencies giving rise to this risk are primarily US dollars, Euros and Japanese yen. The Group adopts a policy of obtaining forward cover for specific purchase orders of low margin products. The Group's exposure to currency risk is not significant.

Interest rate risk

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

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

During the year ended 30 June 2011 the Group closed all remaining interest rate swaps due to the reducing balance of the commercial bill facility, \$nil (2010: \$812,000).

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management (continued)

Capital management

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

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

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

Credit risk

Exposure to credit risk

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

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2011	2010
Cash and cash equivalents	9	7,066	5,730
Trade and other receivables		58,009	62,711
		65,075	68,441

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

<i>In thousands of AUD</i>		Consolidated Carrying amount	
		2011	2010
Australia		54,838	58,176
New Zealand		2,960	3,420
	10	57,798	61,596

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management (continued)

Credit risk (continued)

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

<i>In thousands of AUD</i>	Note	Consolidated	
		Carrying amount	
		2011	2010
Trade customers		49,809	52,132
Wholesale customers		7,989	9,464
	10	57,798	61,596

The Group's most significant customer, an Australian wholesaler, accounts for \$1,900,000 of the trade receivables carrying amount at 30 June 2011 (2010: \$2,914,000).

Impairment losses

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

<i>In thousands of AUD</i>	Gross		Impairment	
	2011	2011	2010	2010
Not past due	34,859	-	39,138	-
Past due 1-30 days	18,036	-	18,006	-
Past due 31-60 days	3,019	-	2,215	-
Past due 61 days and over	3,165	1,281	4,437	2,200
	59,079	1,281	63,796	2,200

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

<i>In thousands of AUD</i>	Consolidated	
	Carrying amount	
	2011	2010
Balance as 1 July	2,200	4,967
Movements in provision	(919)	(2,767)
Balance at 30 June	1,281	2,200

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. A significant part of the net trade receivables balance, which includes the amount owed by the Group's most significant customer, relates to customers that have a good credit history with the Group.

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

24. Financial risk management (continued)

Liquidity risk

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

Consolidated

	2011					2010				
	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years
<i>In thousands of AUD</i>										
Non derivative financial liabilities										
Bill acceptance facility	-	-	-	-	-	812	(812)	(812)	-	-
Trade and other payables	34,849	(34,849)	34,849	-	-	37,309	(37,309)	(37,309)	-	-
	34,849	(34,849)	34,849	-	-	38,121	(38,121)	(38,121)	-	-

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management (continued)

Interest rate risk

Profile

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

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2011	2010
Variable rate instruments		
Financial assets	6,996	5,646
Financial liabilities	-	(812)
	6,996	4,834

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

<i>In thousands of AUD</i>	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2011				
Variable rate instruments	70	(70)	-	-
Cash flow sensitivity (net)	70	(70)	-	-
30 June 2010				
Variable rate instruments				
Interest rate swap	48	(48)	-	-
Cash flow sensitivity (net)	48	(48)	-	-

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

24. Financial risk management (continued)

Fair values

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

Derivatives

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

Interest bearing loans and borrowings

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

Trade and other receivables / payables

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

25. Operating leases

Leases as lessee

Non cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated	
	2011	2010
Less than one year	11,065	14,876
Between one and five years	16,399	28,144
More than five years	24,304	26,015
	51,768	69,035

The Group leases various premises, plant and equipment and motor vehicles under operating leases. The leases typically run for periods ranging from 1 month to 20 years and in some cases provide for an option to renew the lease after expiry. Lease payments are reviewed periodically to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2011, the Group recognised \$15,656,086 (2010 \$16,309,000) as an expense in the income statement in respect of operating leases.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

26. Discontinued operations

In May 2011 the Group sold the business and assets of its automotive parts distribution business in South Australia (which traded as Motor Traders) to Burson Automotive Pty Ltd (Burson). Burson have taken over the leases of the branch network and offered employment to most employees. Completion of the sale occurred in May 2011. The purchase price included the sale of inventory, plant and equipment at their book value, employee benefits and goodwill of \$1 million.

In May 2011 the West Australian (WA) automotive parts distribution business was contracted for sale to Automotive Holdings Group Limited (AHG). AHG have taken over the branch network and offered employment to all employees. The purchase price included the sale of inventory, plant and equipment at their book value, employee benefits and goodwill of \$4.5 million. The profit on the sale of WA automotive parts distribution business will be recognised in the 2011-2012 financial year following completion of the sale which occurred on 1 July 2011.

The company's intent is to sell the West Australian and South Australian real estate in the 12 months following the sale of both automotive parts distribution businesses.

Assets and liabilities related to the WA sale have been classified as held for sale and disclosed in note 12.

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

<i>In thousands of AUD</i>	Consolidated	
	2011	2010 Represented
Results of discontinued operations		
Revenue	166,839	166,874
Expenses	(165,485)	(163,023)
Impairment loss on software (i)	(3,119)	-
Results from operating activities	(1,765)	3,851
Income tax (expense)/benefit	2,369	(1,158)
Results from operating activities, net of tax	604	2,693
Gain/(loss) on sale of discontinued operation	(86)	-
Income tax on gain/(loss) on sale of discontinued operation	26	-
Profit/(loss) for the year	544	2,693
Basic earnings/(loss) per share	1.4 cents	6.8 cents
Diluted earnings/(loss) per share	1.4 cents	6.8 cents
Cash flows from discontinued operations		
Net cash from(used) in operating activities	5,881	2,478
Net cash from(used) in investing activities	2,422	4,723
Net cash from(used) in financing activities	(8,309)	(7,205)
Net cash from discontinued operations	(6)	(4)

(i) As a result of the discontinued operations the Group assessed the residual assets resulting in an impairment of automotive specific computer software assets. The automotive software assets were held in the corporate (\$1.58 million) and automotive (\$1.53 million) segments.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

26. Discontinued operations (continued)

Effect of disposal of Motor Traders on the financial position of the Group

In thousands of AUD

	2011
Property, plant and equipment	(394)
Inventories	(4,467)
Cash and cash equivalents	(6)
Employee benefits	597
Deferred tax assets	(179)
Net assets and liabilities	<u>(4,449)</u>
Consideration received, satisfied in cash	5,383
Cash and cash equivalents disposed of	6
Net cash inflow	<u>5,389</u>

27. Controlled entities

	Country of Incorporation	Ownership interest	
		2011	2010
		%	%
AA Gaskets Pty Ltd	Australia	73	73
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited ⁽ⁱ⁾	New Zealand	73	73

The ultimate parent entity is Coventry Group Ltd.

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

28. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	Note	Consolidated	
		2011	2010
Cash flows from operating activities			
Profit/(loss) for the period		(16,819)	6,975
<i>Adjustments for:</i>			
Depreciation & amortisation		4,217	3,954
Impairment write off		24,208	131
Interest income from other entities	6	(155)	(45)
Interest expense	6	179	1,303
Net gain on disposal of property, plant and equipment		137	(1,891)
Income tax expense/(benefit)	7	(1,097)	2,937
Operating profit before changes in working capital and provisions		<u>10,670</u>	<u>13,364</u>
Change in trade and other receivables		(1,411)	(1,152)
Change in inventories		1,670	7,002
Change in trade and other payables		(3,378)	3,671
Change in provisions and employee benefits		1,179	1,566
		<u>8,730</u>	<u>24,451</u>
Interest paid		(179)	(1,209)
Income taxes refunded/(paid)		(979)	(81)
Net cash from operating activities		<u>7,572</u>	<u>23,161</u>

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

29. Contingencies

In 2007 the Group supplied bolts to be used in the erection of Wind Towers. The Group sourced the bolts from an importer. The customer has alleged the bolts did not meet specification and in April 2009 has issued a claim for damages of approximately \$2,200,000.

During the 2011 reporting period, the Group reached a negotiated agreement with the customer. The matter was settled during the reporting period on a 'commercial in confidence' basis. The sum settled has no material impact on the financial statements.

30. Key management personnel disclosures

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

Non-executive directors

BF Nazer
JH Nickson
KR Perry

Executive directors

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

Executives

AP Hockley, Chief Financial Officer
MW Ridley, Chief Information Officer
MJ Hurley, Group General Manager – Automotive
BN Carter, General Manager – Cooper Fluid Systems
J Colli, Company Secretary

Key management personnel compensation

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

<i>In AUD</i>	Consolidated	
	2011	2010
Short-term employee benefits	3,007,745	2,581,094
Other long-term benefits	31,458	25,072
Post-employment benefits	277,324	263,869
Equity compensation benefits	110,444	69,540
	3,426,971	2,939,575

Information regarding individual directors and executives compensation and applicable equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

30. Key management personnel disclosures (continued)

Movements in shares

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

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

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

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

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

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

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

⁽ⁱ⁾ resigned 30 October 2009

⁽ⁱⁱ⁾ appointed 18 September 2009

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

30. Key management personnel disclosures (continued)

Options and rights over equity instruments

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

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

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

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

	Held at 1 July 2009	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2010
Executive Directors					
RB Flynn	500,000	-	-	-	500,000
V Scidone	100,000	-	-	-	100,000
Executives					
AP Hockley	80,000	-	-	-	80,000
MW Ridley	80,000	-	-	-	80,000
MJ Hurley	-	-	-	-	-
JE Robinson ⁽ⁱ⁾	-	-	-	-	-
J Colli	40,000	-	-	-	40,000

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

No options held by key management personnel are vested or vested but not exercisable at 30 June 2011 or 2012.

Other Transactions

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

31. Related parties – other than key management personnel

Identity of related parties

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

Controlled entities

All transactions with controlled entities are at arms length.

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

	The Company	
	2011	2010
Dividend revenue	1,305,000	1,268,750
Revenue from sale of goods	-	481,006
Purchase of inventories	-	775,867
Increase in intercompany advance accounts	(6,461,977)	2,139,706
Aggregate amounts receivable from controlled entities	11,082,324	17,544,211

During the year ended 30 June 2011, the Company received interest of \$1,462,443 (2010: \$1,276,000) in respect of the advance account subject to interest charges. Interest is charged at commercial rates.

32. Events subsequent to reporting date

On 1 July 2011 settlement occurred on the sale of the West Australian (WA) automotive parts distribution business to Automotive Holdings Group Limited (AHG). The sale was completed on a profitable basis and for a consideration of approximately \$30 million.

Since the end of the financial year the Group has engaged property consultants to market and sell its portfolio of commercial freehold properties located in Western Australia and South Australia. As at the date of this report, with respect to the eight Western Australian properties - four are under contract for sale and contracts for three properties are in negotiation; with respect to the six South Australian properties - three have settled, two are under contract for sale and one property is in negotiation.

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

Coventry Group Ltd

Directors' report

For the year ended 30 June 2011

The directors present their report together with the financial report of Coventry Group Ltd (the "Company") and of the Group, being the Company and its subsidiaries for the year ended 30 June 2011.

1. Directors

Information on Directors

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

Name, qualifications and independence status

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

Experience, special responsibilities and other directorships

Mr Nazer was appointed as a director of the Company in September 2003. He has been Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility since January 2003 and will be retiring from this position on 31 August 2011. He is also a non-executive director of VDM Group Limited and M G Kailis Group.

He was Chief Financial Officer and Company Secretary of WESFI Limited, a major engineered wood products manufacturer and distributor, from August 1999 until its sale in 2001. He previously spent over 10 years at the executive level of Western Australia's largest financial institution, Bank of Western Australia Limited (BankWest), including almost 9 years as Chief Financial Officer.

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

VDM Group Limited: From 1 October 2008 to current.

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

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

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

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

Coventry Group Ltd
Directors' report
For the year ended 30 June 2011

1. Directors (continued)

Information on Directors (continued)

Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD, FAIMM

Independent non-executive director

Member of audit and risk, remuneration and nominations committees

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

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

Brandrill Limited: From 16 August 2002 to 16 December 2009

Roger Baden Flynn, B.Eng (Hons), MBA, FIE (Aust), FAICD

Executive Chairman

Chairman of nomination committee

Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is also a director of Hills Industries Limited. He is a former director of Wattyl Limited and Longreach Group Ltd and has had 42 board years experience on 6 listed companies.

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

Hills Industries Limited: From 1999 to current

Coventry Group Ltd
Directors' report
For the year ended 30 June 2011

1. Directors (continued)

Information on Directors (continued)

Vince Scidone, BBus, AFAIM, AAICD
Executive director

Mr Scidone was appointed an executive director of the Company in February 2008. He joined the Company in 1996 as Group Marketing Manager and was appointed the Group General Manager, Industrial in 1997. He has since successfully led the growth of that division.

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

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

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2011

1. Directors (continued)

Directors' Interests

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

	<u>Number of</u> <u>Ordinary Shares</u>	<u>Number of</u> <u>Options (Unlisted)</u>
BF Nazer	104,420	-
JH Nickson	102,653	-
KR Perry	-	-
RB Flynn	250,496	850,000
V Scidone	29,487	250,000

During the 2010/11 financial year and as at the date of this report no director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the Corporations Act 2001, except as follows:

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

Directors' Meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee, held during the year ended 30 June 2011, and the number of meetings attended by each director.

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
BF Nazer	14	14	4	4	-	-	1	1
JH Nickson	14	14	4	4	6	6	-	-
KR Perry	14	14	4	4	6	6	1	1
RB Flynn	14	14	-	-	-	-	1	1
V Scidone	14	13	-	-	-	-	-	-

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

Coventry Group Ltd
 Directors' report
 For the year ended 30 June 2011

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.
- in May 2011 the Group sold the business and assets of its automotive parts distribution business in South Australia (which traded as Motor Traders) to Burson Automotive Pty Ltd (Burson). Completion of the sale occurred in May 2011.
- in May 2011 the West Australian (WA) automotive parts distribution business was contracted for sale to Automotive Holdings Group Limited (AHG). The profit on the sale of WA automotive parts distribution business will be recognised in the 2011-2012 financial year following completion of the sale which occurred on 1 July 2011.
- from 2 July 2011 the Group no longer has automotive parts distribution principal activities

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 2011 were as follows:

\$000	2011	2010
		Represented
Continuing operations		
Revenue from sale of goods	229,365	226,230
Profit/(loss) before tax	(16,065)	6,061
Income tax expense	(1,298)	(1,779)
Profit/(loss) from continuing operations for the year	(17,363)	4,282
Discontinued operations		
Revenue from sale of goods	166,839	166,874
Profit/(loss) before tax	(1,851)	3,851
Income tax expense	2,395	(1,158)
Profit/(loss) from discontinued operations for the year	544	2,693
Profit/(loss) for the year	(16,819)	6,975
Profit/(loss) for the year attributable to:		
- equity holders of the Company	(17,341)	6,474
- minority interest	522	501
Profit/(loss) for the year	(16,819)	6,975

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2011

4. Dividends

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

Paid during the year 2011	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
Final 2010 Ordinary Dividend	8.0	3,190	Fully Franked	21 September 2010
First Interim 2011 Ordinary Dividend	6.0	2,404	Fully Franked	25 March 2011
Total Amount		5,594		

Payable after end of year	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
Second Interim 2011 Ordinary Dividend	5.0	2,002	Fully Franked	08 July 2011
Final 2011 Ordinary Dividend (i)	11.0	4,386	Fully Franked	23 September 2011
Total Amount		6,388		

(i) The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2011, as it was declared after the year end, and will be recognised in subsequent financial reports.

5. Review of operations and results

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

6. Earnings per share

Basic profit/(loss) per share for the year ended 30 June 2011 was (43.4) cents. This compares to a basic profit per share of 16.3 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

On 1 July 2011 settlement occurred on the sale of the West Australian (WA) automotive parts distribution business to Automotive Holdings Group Limited (AHG). The sale was completed on a profitable basis and for a consideration of approximately \$30 million.

Since the end of the financial year the Group has engaged property consultants to market and sell its portfolio of commercial freehold properties located in Western Australia and South Australia. As at the date of this report, with respect to the eight Western Australian properties - four are under contract for sale and contracts for three properties are in negotiation; with respect to the six South Australian properties - three have settled, two are under contract for sale and one property is in negotiation.

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

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2011

9. Likely developments

The Group will continue to evaluate and look for opportunities to grow its business. It will actively pursue strategic acquisitions if they fit with the core business of the Group and have the potential to increase and maximise shareholder wealth.

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

10. Remuneration report

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

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs)

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

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

Non-executive directors

BF Nazer

JH Nickson

KR Perry

Executive directors

RB Flynn, Executive Chairman

V Scidone, Director and Group General Manager – Industrial

Executives

AP Hockley, Chief Financial Officer

MW Ridley, Chief Information Officer

MJ Hurley, Group General Manager – Automotive

BN Carter, General Manager – Cooper Fluid Systems

J Colli, Company Secretary

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2011
10. Remuneration report (continued)

10.2 Principles used to determine the nature and amount of compensation

Non-executive directors

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

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fees pool limit, which is periodically recommended for approval by shareholders. The total pool currently stands at \$550,000 per annum, which was last approved by shareholders in November 2004 with effect from 1 July 2004. The Board determines the allocation of the maximum amount approved by shareholders amongst the respective directors, having regard to their duties and responsibilities. Directors' fees are not directly linked to Company performance nor are bonuses paid to non-executive directors. There is no provision for retirement allowances to be paid to non-executive directors.

As at 30 June 2011 the non-executive directors fees were allocated as follows (does not include statutory superannuation contributions):

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

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

Executive pay

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

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

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

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

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2011
10. Remuneration report (continued)

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

Fixed annual compensation

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

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

Performance linked compensation

Short-term incentives

Short-term cash incentives of up to 25% of fixed annual compensation (35% for the Executive Chairman) are payable to the senior executives upon the achievement of various annual performance targets, which currently include net profit after tax, dividends paid, changes in share price and other key performance indicators (for certain executives on a consolidated basis and for others on a business unit basis). Such targets ensure that incentives are principally paid when value has been created for shareholders and when profit is above the budget. Discretionary bonuses may be paid when authorised by the Remuneration Committee. For the 2010 financial year the short-term incentive was uplifted by 50% (i.e. 37.5% of fixed annual compensation for senior executives and 52.5% for the Executive Chairman) in lieu of a long-term incentive offer.

In 2011 short-term cash incentives reverted to the previous basis of up to 25% of fixed annual compensation (35% for the Executive Chairman) payable to senior executives on the achievement of targets outlined above.

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

Long-term incentives

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

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

At the 2006 Annual General Meeting shareholders approved a renewal of the Managing 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.

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

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

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

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

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2011
 10. Remuneration report (continued)

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

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

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

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

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

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

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

Consequences of performance on shareholder wealth

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

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Profit/(loss) attributable to equity holders of the Company	(17,341,000)	6,474,000	(1,416,000)	6,522,000	(1,409,000)
Dividends paid	5,594,000	4,361,000	-	-	12,489,000
Change in share price	0.45	0.94	(1.00)	(2.59)	0.30

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

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

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2011
 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 2011.

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

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

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

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

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

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

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

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2011
 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 2010.

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

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

⁽ⁱⁱ⁾ Resigned 30 October 2009

⁽ⁱⁱⁱ⁾ Appointed 18 September 2009.

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

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

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

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

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2011
10. Remuneration report (continued)

10.4 Analysis of bonuses included in compensation

Short-term incentive bonuses were awarded as compensation to the senior executives during the year ended 30 June 2011 on the basis of performance against pre-determined criteria. Incentives of between 3% -20% of fixed annual compensation (from a maximum of 25%) were paid to senior executives and 4% of fixed annual compensation (from a maximum of 35%) was paid to the Executive Chairman. Other senior executives were paid discretionary bonuses authorised by the Remuneration Committee.

10.5 Employment contracts

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

RB Flynn, Executive Chairman

- The contract has no fixed term.
- Fixed annual compensation to be reviewed annually by the Board.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- The contract provides for participation in short-term and long-term incentive plans.
- Other than for an act that may have a serious detrimental effect on the Company, such as wilful disobedience, fraud or misconduct, termination of employment requires 12 months notice by the Company. In the event that the Company no longer requires Mr Flynn to report directly to the Board or if the Company no longer requires Mr Flynn to carry out the normal functions of Managing Director, the Company must pay the equivalent of the fixed annual compensation as a redundancy payment.

V Scidone, Executive Director and Group General Manager – Industrial

- The contract has no fixed term.
- Fixed annual compensation to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

AP Hockley, Chief Financial Officer

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

MW Ridley, Chief Information Officer

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

Coventry Group Ltd
 Directors' report (continued)
 For the year ended 30 June 2011
 10. Remuneration report (continued)

10.5 Employment contracts(continued)

MJ Hurley, Group General Manager – Automotive

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

BN Carter, General Manager – Cooper Fluid Systems

- 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.

JE Robinson, General Manager - Fasteners (resigned 11 November 2010)

- 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.

10.6 Options over shares granted as compensation

Details on options granted during the reporting period are as follows:

	Number of Options Granted during 2011	Grant Date	Fair Value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date	Number of options vested during 2011
Directors						
R Flynn	350,000	29 October 2010	0.607	2.27	28 October 2013	-
V Scidone	150,000	29 October 2010	0.607	2.27	28 October 2013	-
Executives						
M Hurley	150,000	17 September 2010	0.613	2.27	16 September 2013	-
M Ridley	150,000	17 September 2010	0.613	2.27	16 September 2013	-
AP Hockley	150,000	17 September 2010	0.613	2.27	16 September 2013	-
B Carter	50,000	1 October 2010	0.684	2.27	30 September 2013	-

Coventry Group Ltd

Directors' report (continued)

For the year ended 30 June 2011

11. Environmental regulation

The Group is not subject to any specific environmental regulation.

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

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

For the financial year ended 30 June 2011 and as at the date of this report, the Group has not been prosecuted nor incurred any infringement penalty for environmental incidents.

12. Insurance of officers

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

13. Corporate governance

The Statement of Corporate Governance Practices as disclosed on pages xx to xx of the Concise Annual Report sets out the Company's main corporate governance practices throughout the financial year and as at the date of this report.

14. Share options

Options granted to directors and key management personnel

Options that have been granted, subject to vesting conditions, to date are disclosed in note 21 of the full financial report. No options were vested, exercised or lapsed during and since the end of the reporting period.

15. Non-audit services

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

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

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

16. Lead auditor's independence declaration

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

Coventry Group Ltd
Directors' report (continued)
For the year ended 30 June 2011

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
26 August 2011

Directors' declaration

1. In the opinion of the directors of Coventry Group Ltd ("the Group"):
 - (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 26 to 37, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);
 - (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations by the executive chairman and chief financial officer for the financial year ended 30 June 2011 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



R B Flynn
Executive Chairman

Perth
26 August 2011