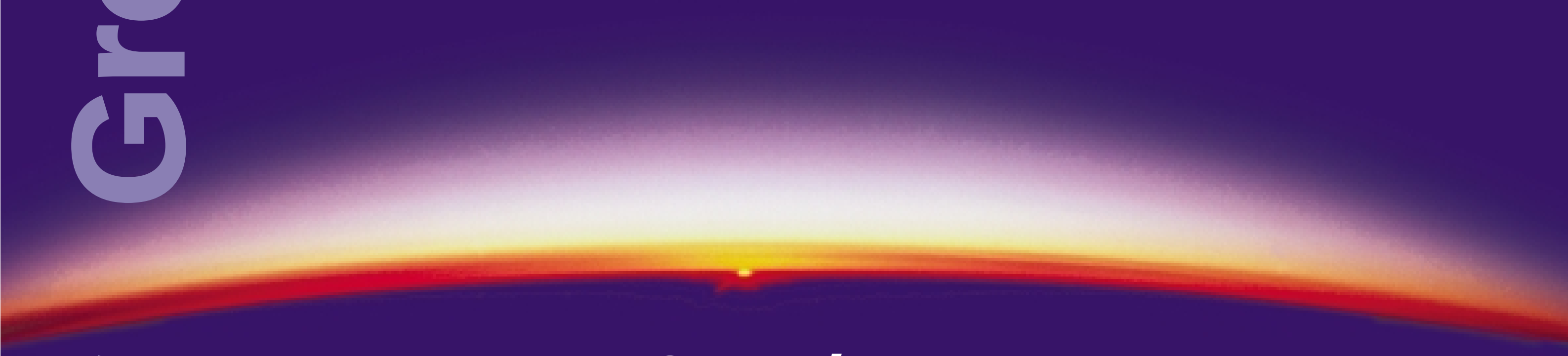
Coventry Group Ltd

ABN 37 008 670 102



Creating growth and value

Annual Report 2003

Contents

Our Mission

To be the first choice supplier of our products and services to industrial and automotive customers, provide a safe and rewarding place of employment and consistently provide our shareholders with superior returns.

Our Values

- customer focus
- honesty and integrity
- business performance
- innovation
- people
- communication

Company Profile

Coventry Group Ltd is a Western Australian based diversified industrial company with an annual turnover of $435 million.

Incorporated as a public company in 1936 and listed on the Australian Stock Exchange since 1966, Coventry Group operates in every Australian state and New Zealand through a network of over 130 branches, employing approximately 1,900 people and has over 3,400 shareholders.

Our business interests are:

Activity Type	**Product/Services**
Automotive Parts Distribution	Automotive parts and accessories, tools, workshop equipment and mining and general industrial consumables.
Industrial Products Distribution	Industrial and construction fasteners, bearings, power transmission products, lubrication products and systems, hoses and fittings and hydraulic fluid systems.
Bitumen Products	Asphalt manufacture and application, road profiling and manufacture and spraying of bituminous products.
Gasket Manufacturing	Manufacture and distribution of automotive and industrial gaskets.

With the aim of improving shareholder wealth, we are constantly building our existing businesses and seeking new opportunities to enhance our long history of growth and profitability.

Five Year Financial Summary

		2003	**2002**	**2001**	**2000**	**1999**
Revenue from operating activities	$M	**423.5**	401.4	364.7	343.8	322.3
Operating profit before tax	$M	**16.9**	10.8	13.2	8.7	17.8
Operating profit after tax and outside equity interest	$M	**10.8**	4.5	7.4	4.1	10.6
Shareholders' funds (excluding outside equity interest)	$M	**159.7**	151.0	152.5	174.4	180.6
Net asset backing per share	$	**4.62**	4.47	4.52	5.13	5.31
Dividend per share (excluding special dividends)	c	**30**	20	30	30	30
Earnings per share	c	**31.5**	13	22	12	31

Highlights

Financial

- Net profit after tax of $10.8 million – a significant increase on the $4.5 million reported for the previous year.
- Sales revenue of $415.5 million – up 5% on last year. Operating revenue reached $423.5 million – an increase of 6% on the prior comparative period.
- Earnings per share of 31.5 cents compared to 13.4 cents for the previous year.
- Dividends totalled 30 cents per share fully franked compared to 20 cents for last year.
- Reintroduction of the dividend reinvestment plan with a 2.5% discount to the prevailing market price.
- Significant items affecting the operating profit:
  - Effective tax rate reduced from 65% to 36% as losses from Coventry Auto Parts Pty Ltd (CAP) are now grouped.
  - A write down of $2.2 million of the distribution rights held by CAP's operations in New South Wales.
  - Profit of $2.3 million on the disposal of selected properties in Western Australia.

Operational

- Continued growth of the Group's branch network with the following initiatives:
  - Expansion of CAP's activities in Queensland with the opening of a new branch and the acquisition of a business in Cairns.
  - Infix division opened its first Victorian branch at Clayton.
  - Hylton Parker Fasteners (NZ) opened an additional branch and completed a business acquisition at Hamilton in September 2003.
  - Coventrys opened a new branch at Myaree, Western Australia.
- Moved to 100% ownership of CAP.
- Commissioned the new joint asphalt manufacturing facility with Emoleum (a partnership between Readymix Road Group Pty Ltd and Vacuum Road Services Pty Ltd) for the Group's Hot Mix division.

Chairman's

WARWICK KENT, AO
Chairman

On behalf of your directors, I am pleased to present this report of the activities and results of Coventry Group Ltd for the 2002/03 financial year.

FINANCIAL PERFORMANCE

The Group earned a net profit after tax of $10.8 million, a significant improvement on the $4.5 million reported for the previous year.

A final dividend of 16 cents per share has been declared, payable on 25 September 2003, and this brings the total dividend for the year to 30 cents compared with 20 cents for the previous year. Earnings per share was 31.5 cents and the level of dividend paid is consistent with the Board's announced policy of distributing to shareholders as much as possible of our net earnings.

Details of the performance of the various business units are provided in the Chief Executive Officer's Review of Operations later in this Report.

CHIEF EXECUTIVE OFFICER

As foreshadowed last year, Mr Barry Watson retired as Managing Director and Chief Executive Officer on 31 January. Mr Chris Glenn succeeded him from 3 February. Chris comes to the Group after a career with a number of major companies involved in manufacturing and distribution. Since his arrival he has led the management team in a review of existing businesses, focussing on actions which must be taken to improve efficiency and productivity, as well as addressing underperforming areas. Particular attention is being given to CAP, our automotive parts operations in New South Wales and Queensland, which became a wholly-owned subsidiary in October 2002.

STRATEGY REVIEW

Continuing the work that was begun last year, the Board and management have completed a strategy review. We have set a target return on capital employed of 12% after

Review

tax – recent performance has been short of this and the target will be achievable only through the efficiency gains, referred to earlier, and a judicious combination of organic growth and acquisitions of compatible businesses.

The stategic review also encompassed the establishment of a mission statement which formalised Coventry Group's overall goals. A set of values was developed in conjunction with senior management to reinforce the attainment of the Group's mission. The statement and values are listed on page one of this Report.

CORPORATE GOVERNANCE

The Board has given considerable attention to the Corporate Governance Guidelines issued by the ASX Corporate Governance Council. These are described as "Principles of Good Corporate Governance and Best Practice Recommendations" and were issued in March of this year with a requirement that the various recommendations be implemented in the first financial year commencing after 1 January 2003, that is for Coventry Group the year 2003/04. The Annual Report for that year must include a statement disclosing the extent to which the recommendations have been followed. Where not all recommendations have been implemented, these must be identified and reasons given for not doing so. It is the Board's intention to comply as closely as possible with the recommendations and, indeed, many of them reflect practices that have been followed for some time by Coventry Group. Any necessary changes will be implemented progressively through the year.

EXTERNAL AUDITOR

Last year we indicated our intention to call tenders for the external audit of the Group. This process has taken place and the outcome is the Board's recommendation that KPMG be appointed the Group's auditors from the commencement of the 2003/04 financial year. This appointment is subject to the approval of shareholders at our Annual General Meeting on 5 November. I take this opportunity of expressing to our retiring auditors, BDO, and our Audit Partner Mr Geoff Brayshaw, the appreciation of the Board for many years of dedicated service and advice.

THE BOARD

The directors have taken the view that the Board would be strengthened by the addition of a director with a strong background in finance. Accordingly, they have resolved to increase the number of directors by one to eight as permitted by the Company's Constitution and, as already announced, we have invited Mr Barry Nazer to fill this vacancy. Barry has had relevant experience as the chief financial officer of two listed public companies and will be a valuable addition to our ranks. In accordance with the Constitution he must stand for election at the Annual General Meeting and full background details are included in the Notice of Meeting.

OUTLOOK

The key automotive, industrial and resources markets are expected to grow steadily over the year 2003/04 and will support Coventry Group's revenue growth. Particular attention is being given to improving the results from CAP, with the focus being on cost control and growth in market share. We have a strong base of operating businesses and we believe we are well positioned to expand and to improve the returns to our shareholders.

ACKNOWLEDGEMENTS

The commitment and loyalty of our management team and nearly 1,900 employees in Australia and New Zealand has contributed to a good recovery in the Group's profitability. On behalf of the Board and shareholders, I express our thanks for their efforts.

I also thank all of my fellow directors for their efforts and support during another challenging year.

Warwick Kent, AO
Chairman

Chief Executive Officer's Review of

CHRIS GLENN
Chief Executive Officer and Managing Director

FINANCIAL PERFORMANCE

I am pleased to report that Coventry Group Ltd achieved a net profit after tax of $10.8 million for the year ended 30 June 2003 which was a $6.3 million improvement over the prior comparative period. Operating revenue increased 5.5% to $423.5 million, with net profit before interest and tax up 48% to $18.7 million and earnings per share up 135% to 31.5 cents.

The improvement in business performance was a result of strong growth in the industrial and established automotive businesses, combined with a lower loss from Coventry Auto Parts Pty Ltd (CAP). The effective tax rate was reduced from 65% to 36% mainly due to losses from CAP now being grouped for tax purposes, following the move to 100% ownership of this controlled entity in October 2002.

Operating expenses increased 3.3% to $133.6 million with the operating expense to sales ratio dropping by 0.6% from 32.8% to 32.2%. The operating cashflow was $22.4 million against $15.7 million for the prior comparative period. The net interest cover was 11.1 times (before significant items and amortisation) and the net debt to equity ratio was 14.3%.

The Group's result was impacted by a $2.2 million write-down of the distribution rights held by CAP's operations in New South Wales and a profit of $2.3 million on the disposal of selected properties in Western Australia.

Operations

STRATEGY

The strategy for Coventry Group is to be a leading supplier of products and services into selected industrial and automotive markets. The business strategy will focus on business process improvement, organic sales growth and acquisitions consistent with Coventry Group's core competencies.

The recently introduced business process improvement programme focuses on cost reduction and improvement in customer service delivery. This programme consists of a number of short term initiatives, as well as longer term projects that will deliver significant improvements in operational costs, efficiencies and customer service over the next few years. The long term projects will include best practice supply chain processes, distribution centre operations and information technology.

The organic sales growth will centre on improving the effectiveness of the sales force and branch network. This strategy includes upgraded sales training, introduction of sales commission programmes and targeted marketing activities.

The acquisition strategy will target smaller businesses which will add value to existing operations, as well as new business opportunities that meet our shareholder return targets and are a strategic fit with the Group.

PEOPLE

Staff numbers for the Group at 30 June 2003 totalled 1,891 – a decrease from 1,923 at the end of the previous year. This reflects a strategy of improving efficiencies as various business improvement initiatives are implemented. A safety first programme has been introduced to support the achievements of the Group's occupational health and safety goals and reinforces the Company's commitment to providing a safe work environment for all employees. A performance management system has been implemented to support individuals in improving their own performance.

Mr Graham Blackburn, Group General Manager, Bitumen has announced his retirement effective from 29 August 2003. Mr Keith Box will succeed Mr Blackburn in leading this business. I would like to acknowledge and thank Graham for his contribution to the Group over the last 40 years, both as the manager of the bitumen business and as a director of Coventry Group.

In August 2003, Mr James Furness joined the Group as its Chief Information Officer. Mr Furness will lead the development of the Group's systems and process improvement programmes.

OUTLOOK

It is expected that the Western Australian and South Australian automotive businesses will experience steady growth in line with the local economies. The CAP business will continue to improve this financial year with the priority being the containment of its operating expenses and initiatives to increase revenue. The gaskets business should improve following last year's restructuring.

The industrial business growth is expected to be stronger, especially in those parts of the business exposed to the resources sector. Little growth is expected in the bitumen business.

DAVID FRASER
Group General Manager - Automotive

Chief Executive Officer's Review of

Automotive Parts Distribution

The business unit recorded an improved performance with net profit of $5.7 million* – significantly up on the $2.7 million* for the previous year. Sales revenue improved 6% to $227.6 million. This result was achieved following growth in both the traditional automotive markets and the mining supplies business. However, the overall performance of this business segment was impacted by a $5.8 million trading loss by CAP.

A strong performance was achieved by the Coventrys and Motor Traders divisions with record revenue results – totalling $201 million. During the period under review, a number of operational initiatives were implemented. CGL Online was launched – an electronic catalogue and online ordering initiative which enables trade customers to transact with the Group using the internet. Whilst the programme is in its infancy, activity levels are encouraging. Other initiatives involved the launch of Cortech, Redstone and CGL Tools – a range of house branded products which complement the existing extensive range of products offered by the Group.

Operations

(continued)

A number of business improvement processes have been introduced to streamline work processes and make better use of available technology. It is expected that these strategies will improve revenue, gross margins and operating expenses.

In October 2002, the Group acquired the remaining shareholding in CAP from entities associated with the Ford Motor Company of Australia Limited to enable CAP to become a wholly-owned subsidiary. Whilst CAP is continuing to incur trading losses, it recorded a 22% improvement on the previous year. Revenue was up 12%. Strategies to improve CAP's performance included a new management structure in New South Wales and expansion of the Queensland operations with an additional branch in Brisbane and a business acquisition in Cairns.

It is expected that CAP's trading losses will continue to reduce as revenue and margins improve and operating expenses are contained.

** before interest, tax and significant items*

MAJOR SUPPLIERS

Bendix

BOSCH

Ford

HELLA

HOLDEN

MONROE

PERMASEAL
Quality Automotive Gaskets

RYCO FILTERS
The Professional's Choice

pbr

NGK SPARK PLUGS

VINCE SCIDONE
Group General Manager - Industrial

Chief Executive Officer's Review of

Industrial Products Distribution

The industrial business unit achieved strong revenue and gross margin growth arising from buoyant market conditions in the resources sector (particularly from infrastructure projects in Western Australia and Queensland). A strong sales programme and improvements in purchasing also contributed to the solid result. The fastener and fluid businesses posted strong results, with the bearings activities improving on the previous year's performance.

Revenue was up 8% to $165.3 million with net profit before interest and tax improving 15% to $13.8 million on the prior comparative period.

Operational highlights included the continued growth of the construction fastener business of Infix with the opening of its first Victorian branch at Clayton. During the period under review, Infix also launched a range of house branded products. A business initiative of the fastener division was the introduction of Express Fasteners in New South Wales. The programme involves the selling and marketing of fasteners utilising mobile vans. Results to date have been encouraging.

Operations
(continued)

Hylton Parker in New Zealand improved profitability with a further expansion of the branch network and full integration of a new computer system. An acquisition in Hamilton was completed subsequent to the end of the financial year.

During the period under review, significant effort was directed to improving the sales and administration management team of the business units to achieve increased revenue and efficiencies and a consolidation and rationalisation of product suppliers.

It is expected that further growth in the construction sector over the next two years will benefit the industrial business unit. However, a rising Australian dollar is likely to impact the manufacturing and mining sectors in the longer term with a consequent potential effect on investment in infrastructure for these sectors.

MAJOR CUSTOMERS

WOODSIDE AUSTRALIAN ENERGY

CLIPSAL

ALCOA

HWE Henry Walker Eltin

Electro

Tenix

FALLSHAW WHEELS & CASTORS

Chief Executive Officer's Review of

KEITH BOX
Manager - Bitumen

Bitumen Products

The bitumen business unit has had a difficult year with government spending on roads reducing - federally 19% and at the state level 15%. This, coupled with high levels of competition in the Perth asphalt market, caused lower than expected results.

Total revenue for the year of $13.6 million was 8% down on the prior comparative period. Net profit before interest and tax registered at $1.6 million - a drop of 30%. Furthermore, the loss of the City of Stirling asphalt tender significantly impacted volume sales. Rising oil prices also adversely affected the bitumen raw material costs for this business segment.

KERRY LEE
General Manager - AA Gaskets Pty Ltd

Gasket Manufacturing

The Group's controlled entity, AA Gaskets Pty Ltd (AAG), recorded a net profit before interest and tax of $1.2 million - down 39% on the prior comparative period. Sales revenue fell 15% to $12.5 million. This result was impacted by the loss of a key customer contract which represented approximately 30% of AAG's business revenue. However, revenue from other customer accounts improved 4.5% with margins increasing 1.1%. During the year there were significant restructuring costs associated with downsizing the business in line with the reduced revenue base. Furthermore additional marketing costs were incurred to grow the business. These costs impacted AAG's net profit margins. A significant proportion of the lost revenue has now been replaced.

Operations
(continued)

INFRASTRUCTURE

On a positive note, a new, state-of-the-art, asphalt plant, which is a joint manufacturing facility with Emoleum (a partnership between Readymix Road Group Pty Ltd and Vacuum Road Services Pty Ltd) was commissioned in June 2003. The new facility will provide the business unit with the opportunity to achieve significant production cost savings as well as the ability to recycle asphalt and manufacture an improved, higher quality product.

PEOPLE

AAG has focused on improving a number of business processes to achieve better efficiencies. A redevelopment of the finished goods and dispatch warehouse was completed and a number of occupational health and safety initiatives were implemented to reduce manual handling. Improved inventory efficiencies were also attained. It is expected that margins for this business segment should improve as a stronger Australian dollar will reduce the cost of imported materials.

Board of Directors

Warwick Gordon Kent AO Cit.WA, FAICD
Non-executive Chairman; member of audit and Chairman of nomination committees; age 67
Mr Kent was appointed a director in July 2001 and became Chairman of the Company in November 2001. He is a former senior executive of Westpac Banking Corporation and was Managing Director and Deputy Chairman of Bank of Western Australia Limited for eight years until his retirement in 1997. He is Chairman of West Australian Newspaper Holdings Ltd and is a director of Commonwealth Bank of Australia and Perpetual Trustees Australia Limited. He is a former director of SGIO Insurance Ltd and Colonial Limited. Mr Kent is a past President of WA Division of the Australian Institute of Company Directors.

Brian Arthur Goddard FAIM, FAICD
Non-executive Deputy Chairman; member of audit committee; age 67
Mr Goddard has been a director since 1977. He joined the Company in 1960 and was a senior executive becoming Joint Managing Director in 1989 until his retirement in 1997. He is on the board of a number of the Company's controlled entities and is also a director of Associated Newsagents (WA) Cooperative Ltd.

Christopher James Glenn Dip. App. Sc, Grad. Dip. Mkting, MBA, GAICD
Chief Executive Officer and Managing Director; age 45
Mr Glenn was appointed as Chief Executive Officer and Managing Director of the Company on 3 February 2003 following the retirement of Mr B R Watson. He has held a number of senior executive positions with large international organisations and brings a wealth of experience to the Group in marketing and distribution as well as strong operational skills. His previous position was that of General Manager Fire and Safety at Tyco International in Sydney. His role involved responsibility for a business operating in Australia, New Zealand and Fiji employing some 3,000 staff and with a turnover approaching $500 million. Other positions have included General Manager Security Services at Tyco International and General Manager Energy Services at Integral Energy.

Roger Baden Flynn B.ENG (HONS), MBA, FIE (Aust)
Non-executive director; member of remuneration and nomination committees; age 53
Mr Flynn was appointed a director of the Company in October 2001. 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 seven years until 1999. His other directorships include Wattyl Limited, Hills Industries Limited and Hartec Limited. Mr Flynn resides in Melbourne.

Clifford Maxwell Kyle B.COM, DIPCM, FCIS, FAICD
Non-executive director; member of audit and remuneration committees; age 47
Mr Kyle joined the Company in 1979 and was appointed a director in 1990. Whilst an employee of the Company he was a senior executive with responsibilities in accounting, corporate services and administration until his resignation in December 1998.

Peter Arthur Kyle AM MA (OXON) (HONS), LLB (WA), FAICD
Non-executive director; Chairman of audit committee; age 58
Mr Kyle was appointed a director in 1980. He is a solicitor in private practice for over thirty years with particular expertise and experience in commercial litigation and local government affairs. He is past President of the Australian Local Government Association and a former director of Fremantle Gas & Coke Co Ltd and Consolidated Gold NL.

Ross Malcolm McLean B.ECONS (HONS)
Non-executive director; Chairman of remuneration and member of nomination committees; age 59
Mr McLean was appointed a director in 1995. He is currently Deputy Chief Executive of the Chamber of Commerce and Industry of Western Australia. He is also a director of the Australian Broadcasting Corporation and CCI Training Services Pty Ltd. Mr McLean's past experience includes Chairman of the WA Government's Trade Advisory Council and a Member of the State Government Economic Stategies Council and the Senate of Murdoch University.

Barry Frederick Nazer BBUS FCPA, FAIBF, ANZIIF (Fellow), FAICD
Non-executive director; age 55
Mr Nazer was appointed as a director of the Company on 1 September 2003. He is currently Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company developing a laminated veneer lumber manufacturing facility north of Perth.
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 ten years at the executive level of Western Australia's largest financial institution, Bank of Western Australia Limited (BankWest), including almost nine years as its Chief Financial Officer. He was the executive responsible for managing the BankWest privatisation process which involved a trade sale and public float.
Mr Nazer's past experience includes Director of a public company involved in the development of treasury and risk management software for financial institutions and corporate treasuries, Chairmanship of a staff superannuation fund with assets exceeding $100 million and a Member of Curtin University's Business School Advisory Council.

Corporate Governance Statement

BOARD OF DIRECTORS

(i) Charter

In August 2003, the Board adopted a charter which formalised certain matters relating to the Board. The charter addresses the purpose and role of the Board, its powers, board membership, independence criteria, meeting formalities, board subcommittee requirements, self assessment and appointment procedures as well as a policy on directors' term of office.

The Board charter can be viewed on the Group's website.

(ii) Composition

The Board presently consists of 8 members, the maximum allowable under the Company's constitution. The number of directors was increased from 7 to 8 since the end of the year under review, with the appointment of Mr Barry Nazer as an additional director on 1 September 2003.

All Board members are non-executive except for the Managing Director.

(iii) Independent Professional Advice

Directors have the right to obtain independent professional advice on company related matters, at the Company's expense, providing the expense is reasonable and the prior approval of the Chairman is obtained.

(iv) Term of Office

The Board adopted the following policy in September 2002.

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

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

For the purpose of calculating the term of a director who is in office at the time of adoption of this policy by the Board, a director who has been in office for a period longer than seven years will be deemed to have been in office for a period of seven years only and will agree not to seek re-election to the Board after having served a further five years.

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

(v) Fees

Shareholders, at the 2001 AGM, have approved the payment of an aggregate amount of $350,000 per annum. Further details on directors' fees are contained on pages 20 and 21 of this Report.

COMMITTEES

The Board has established the following committees, comprising only non-executive directors, to assist in the discharge of its duties.

(i) Audit Committee

The members of the audit committee are:

- P A Kyle (Chairman)
- B A Goddard
- W G Kent (appointed as a member on 04.09.02)
- C M Kyle

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

The Board has approved formal terms of reference for the audit committee which set out its objectives, composition, duties and responsibilities.

In general terms the objective of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Group. This is achieved by:

- reviewing the financial information prepared by management for presentation to shareholders and regulators;
- considering the adequacy and effectiveness of the Group's administrative, operating and accounting controls as a means of ensuring that the Group's affairs are being conducted by management in compliance with legal, regulatory and policy requirements;
- overseeing and assessing the quality of the audits conducted by both the Company's internal and external auditors;
- maintaining, by scheduling regular meetings, open lines of communication among the Board, the internal auditors and the external auditors.

Among its specific responsibilities, the Committee recommends to the Board the appointment of the external auditor and the audit fee as well as reviewing the audit plans of the external and internal auditors.

The Committee's charter is currently being reviewed to include responsibility for the overall monitoring of the Group's risk.

The Committee usually meets four times a year and two of these meetings are timed to review the Group's half year and annual financial statements and associated Australian Stock Exchange releases. Both the audit committee and the Board meet with the external auditor in the absence of management. During the year in review the Committee met 6 times.

The Committee's terms of reference can be viewed on the Group's website.

(ii) Remuneration Committee

The members of the remuneration committee are:

- R M McLean (Chairman)
- R B Flynn (appointed as a member on 04.09.02)
- W G Kent (member until 04.09.02)
- C M Kyle

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

The Committee is required to meet twice a year and at other times as the Chairman of the Committee directs. The Committee met 6 times during the year in review.

Corporate Governance Statement (continued)

The Committee's terms of reference can be viewed on the Group's website.

(iii) Nomination Committee

In June 2003, the Board established a nomination committee.

The members of the nomination committee are:
- W G Kent (Chairman)
- R B Flynn
- R M McLean

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

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

The Committee is required to meet at least twice a year and at other times as the Chairman of the Committee directs. The Committee has met once since the end of the year in review.

The Committee's terms of reference can be viewed on the Group's website.

EXTERNAL AUDIT

The Company's external audit firm is BDO. The firm has been the Company's external auditor since Coventry Group first listed in 1966. BDO's audit engagement partner with respect to Coventry Group is Mr G F Brayshaw. He has been engagement partner since 1997. The Board has considered a number of issues concerning external audit and audit independence and particular attention has been given to rotation of audit firms, rotation of engagement partners and other services provided by external audit firms to companies. In addressing these three key areas the Board has made the following policy decisions:

- with respect to rotation of audit firms, while there is no mandatory requirement, the Company determined to undertake a competitive tender for external audit services during the 2002/03 financial year.
- on the issue of engagement partner rotation, the Company has adopted the policy that partners should be rotated on 5 year cycles.
- in relation to other services, the Company has adopted a policy of regular review of the supply of professional services provided by the external auditor. During the period under review, apart from audit work, BDO provided the Company with tax compliance and minor due diligence services.

During the year, the Company invited tenders for the position of Company auditor. A number of responses were received and after careful consideration of each tender, the Board resolved to proceed with the tender submitted by KPMG.

KPMG have consented in writing to act as auditor of the Company. Their appointment is subject to shareholder approval at the AGM to be held in November 2003 and ASIC's consent to the resignation of BDO. BDO has notified the Company that is has applied to ASIC for this purpose. If approved, KPMG's appointment will be effective from the close of the AGM and cover the financial year commencing 1 July 2003.

A breakdown of total fees paid to BDO is shown on page 39 of this Report.

SHARE TRADING POLICY

The Board has in place a specific share trading policy which applies to the directors and senior management of the Company.

The policy stipulates that directors and senior management are required to restrict their trading in Coventry Group securities to a period of four weeks commencing 48 hours after the release of half year results, annual results or the annual general meeting provided they are not in possession of price sensitive information that is not generally available to the market. Any proposed purchase or sale of securities must first be referred to the Chairman or Chief Executive Officer.

CONTINUOUS DISCLOSURE

The Board is aware of the continuous disclosure obligations as imposed by the Australian Stock Exchange Listing Rules. The matter is continuously monitored by the Group's senior management and regularly reviewed by the Board as a standing agenda item.

PRIVACY

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

The policy can be viewed on the Group's website.

BUSINESS RISK

Arrangements are in place to ensure that any areas of significant business risk are identified and appropriate measures taken to manage them.

There are a number of senior executives and management committees with access to the Board or Board members overseeing matters in relation to quality assurance, insurance risk assessment, occupational health and safety, affirmative action and equal opportunity.

During the 2002/03 financial year, the Company undertook a whole of business risk review in conjunction with its consultants, Marsh Pty Ltd. A risk profile for the Group has been established with priorities assigned to areas which require further attention. An executive management risk committee comprising the Chief Executive Officer, Chief Financial Officer and Company Secretary has been established and will report regularly to the Board Audit Committee. Its function is to ensure areas of Group risk are being monitored and appropriate actions are being implemented where necessary and that the Board is regularly informed of key risk issues.

ETHICAL AND CORPORATE STANDARDS

All directors and employees are expected to act with utmost integrity and objectivity at all times in the performance of their duties and endeavour to enhance the reputation of the Company. The Board demands compliance with statutory and regulatory requirements at all levels within the Group.

The Company is currently in the process of developing a formal code of conduct which will cover internal activities as well as dealings with external parties. The code will apply to all directors and employees of the Group.

Financial Report for the year ended 30 June 2003

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Directors' Report

The directors present their report on the financial statements of the consolidated entity consisting of Coventry Group Ltd (the Company) and its controlled entities for the year ended 30 June 2003.

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:

Warwick Gordon Kent, AO – Chairman
Brian Arthur Goddard – Deputy Chairman
Christopher James Glenn – Managing Director (appointed on 3 February 2003)
Barry Robert Watson – Managing Director (resigned on 31 January 2003)
Roger Baden Flynn
Clifford Maxwell Kyle
Peter Arthur Kyle, AM
Ross Malcolm McLean

Particulars of their qualifications, experience and special responsibilities are set out on page 14 of the Annual Report.

Directors' Interests in Shares

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

	Number of Ordinary Shares
W G Kent	30,746
B A Goddard	78,060
C J Glenn	4,000
R B Flynn	4,177
C M Kyle	254,864
P A Kyle	5,358
R M McLean	15,503

During the 2002/03 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 B R Watson entered into a contract with the Company on 30 July 2002 with respect to his retirement which entitled him to a benefit upon retirement of $511,212. Mr Watson retired on 31 January 2003.

Directors' Report

1. DIRECTORS (continued)

Directors' Meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee, held during the year ended 30 June 2003, and the number of meetings attended by each director.

	Board of Directors		**Audit Committee**		**Remuneration Committee**	
	Held	Attended	Held	Attended	Held	Attended
W G Kent	12	12	4	4	1	1
B A Goddard	12	12	6	6	-	-
C J Glenn	5	5	-	-	-	-
B R Watson	7	7	-	-	-	-
R B Flynn	12	12	-	-	5	5
C M Kyle	12	12	6	6	6	6
P A Kyle	12	12	6	6	-	-
R M McLean	12	12	-	-	6	6

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

2. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were:

- The distribution of automotive parts and accessories, mining and general consumables, industrial and construction fasteners, bearings, power transmission products, lubrication products and systems, hoses and fittings and hydraulic fluid systems,
- Asphalt manufacture and application, road profiling, and manufacture and spraying of bituminous products, and
- The manufacture and distribution of automotive and industrial gaskets.

3. CONSOLIDATED RESULTS

Results of the consolidated entity for the year ended 30 June 2003 were as follows:

	2003 $000	2002 $000
Revenue from ordinary activities	**435,334**	404,376
Profit from ordinary activities before income tax	**16,870**	10,842
Income tax	**6,008**	7,059
Profit from ordinary activities after income tax	**10,862**	3,783
Net (profit) loss attributable to outside equity interest	**(95)**	753
Net profit attributable to members of Coventry Group Ltd	**10,767**	4,536

4. DIVIDENDS

The directors have declared a final dividend of 16 cents, fully franked, for each ordinary share for the year ended 30 June 2003. The record date for the dividend is 12 September 2003 and it will be paid on 25 September 2003.

An interim dividend of 14 cents, fully franked, for each ordinary share was declared by the directors on 5 March 2003 and paid on 2 April 2003.

The payment of the final dividend will bring the total dividend on ordinary shares to 30 cents for each share for the year ended 30 June 2003.

For the year ended 30 June 2002, the final dividend of 12 cents for each ordinary share referred to in the Directors' Report dated 4 September 2002 was paid on 27 September 2002.

Directors' Report

5. REVIEW OF OPERATIONS

A review of the consolidated entity's operations for the financial year and the results of those operations are contained in pages 3 to 13 of the Annual Report and in particular in the Chief Executive's review section.

6. EARNINGS PER SHARE

Earnings per share for the year ended 30 June 2003 was 31.5 cents. This compares to 13.4 cents for the previous year.

7. SIGNIFICANT CHANGE IN THE COMPANY'S AFFAIRS

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

8. AFTER BALANCE DAY EVENTS

The directors are not aware of any other matter or circumstance having arisen since the end of the financial year that has significantly affected, or may significantly affect:

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

in subsequent years.

9. FUTURE DEVELOPMENTS AND RESULTS

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

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

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The aggregate amount of remuneration of the directors is set and approved by the shareholders from time to time, is based on a recommendation from the Board. In the event that the Board seeks shareholder approval to amend the total remuneration payable, external professional advice may be sought.

The maximum amount payable in directors' fees is $350,000 per annum which was approved by shareholders in November 2001.

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.

The Board has a Remuneration Committee consisting of three non-executive directors. Its responsibility is to consider and review the remuneration of the Chief Executive Officer and senior executives of the Company and make recommendations to the Board. The Committee's role also includes the review of non-executive directors' fees. Generally, the objective is to ensure that the remuneration of executives properly reflects their duties and responsibilities and is competitive in retaining and motivating people of high calibre.

On 3 February 2003, Mr C J Glenn was appointed as the Company's new Managing Director. In addition to base pay, Mr Glenn's contract of employment provides for incentive payments. The incentives are divided between short term incentive (STI) and long term incentive (LTI). The STI (up to 25% of base salary) is paid in cash and is subject to the achievement of key performance indicators which are agreed annually. On the other hand, the LTI (also up to 25% of base salary) involves the issue of shares subject to attainment of pre-agreed performance hurdles. Shareholder approval to the issue of shares under the LTI will be sought at the November 2003 Annual General Meeting when further details will be provided.

Directors' Report

10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

The following table details the nature and amount of each element of the emoluments of each director and each of the five executive officers receiving the highest emoluments.

	Salary (a)	**Directors' Fees**	**Superannuation Contributions**	**Total**
	$	$	$	$
Directors				
Coventry Group Ltd				
(Non Executive Directors)				
W G Kent	-	84,000	7,560	91,560
B A Goddard	-	62,000 (b)	5,580	67,580
R B Flynn	-	50,000	4,500	54,500
C M Kyle	-	42,000	3,780	45,780
P A Kyle	-	42,000	3,780	45,780
R M McLean	-	42,000	3,780	45,780
(Executive Directors)				
B R Watson (c)	1,116,932 (d)	6,666 (b)	11,119	1,134,717
C J Glenn (e)	162,259 (f)	-	14,400	176,659
Consolidated Entity				
Emoluments of directors of the consolidated entity not mentioned above:				
T J Read	-	20,000	1,800	21,800
Executive Officers				
Coventry Group Ltd				
V Scidone	293,415	-	10,519	303,934
D J Fraser	260,907	-	10,519	271,426
S A Cooper	162,786	13,334 (b)	11,719	187,839
E V Currell	175,592	-	10,519	186,111
J Colli	145,947	-	10,519	156,466

(a) comprises cash salary and value of fringe benefits.
(b) includes directors' fees paid by a controlled entity.
(c) Mr B R Watson resigned as Managing Director on 31 January 2003.
(d) the amount shown includes Mr Watson's emoluments during the period he was Managing Director. It also includes a retirement benefit of $511,212 and accrued leave entitlements of $287,958.
(e) Mr C J Glenn was appointed as Managing Director on 3 February 2003.
(f) excludes STI payment of $33,333 for the period 3 February 2003 to 30 June 2003 approved by the Board on 29 August 2003.

In addition to the emoluments listed above, Mr B A Goddard has received consulting fees of $7,200 arising from work undertaken in connection with the Group's automotive division. The fees were based on normal commercial rates for consultants of appropriate expertise.

11. ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulation in respect of its bitumen activities and asphalt manufacturing operations.

The Hot Mix division of the Company operated under a licence from the Environmental Protection Authority of Western Australia (EPA) in relation to site emission controls. Plant management systems were in place to monitor and ensure environmental compliance.

Directors' Report

11. ENVIRONMENTAL REGULATION (continued)

On 24 June 2003, the Hot Mix division relinquished its EPA licence as the Cannington asphalt manufacturing facility ceased operations. The division now procures asphalt in accordance with an agreement entered into with Emoleum (a partnership between Readymix Road Group Pty Ltd and Vacuum Road Services Pty Ltd). Under the agreement, an asphalt production sharing facility has been established at CSR Ltd's Gosnells quarry. The relevant EPA licence for the Gosnells site is held by Emoleum.

In September 2002, an incident occurred at the Hot Mix Cannington depot which resulted in a quantity of bitumen cutback entering the stormwater drainage system and consequently contaminating an area of wetlands adjoining the Canning River. The division liaised with the relevant statutory authorities to contain the spill and was involved in the cleanup. The cost of the cleanup, which totalled $32,000, was borne by the division. Environmental procedures and systems have been reviewed and reinforced to ensure the avoidance of similar incidents.

The Hot Mix and Bitumen Emulsions divisions also comply with the dangerous goods code. Accordingly, the divisions have an ongoing programme for the licensing and inspection of their transport vehicles for the carriage of dangerous goods. Both divisions hold and comply with a licence issued by the Department of Minerals and Energy in Western Australia in relation to the storage of petroleum products. The Hot Mix division had also been included in the National Pollution Index which was established to monitor emissions into the environment. As the manufacturing operations ceased on 24 June 2003, there are no longer any monitoring requirements.

The consolidated entity is not subject to any other specific environmental regulation.

The consolidated entity mainly operates warehousing and distribution facilities throughout Australia which have general obligations under environmental legislation of the respective state and local government authorities in relation to pollution prevention.

For the financial year ended 30 June 2003 and as at the date of this report, the consolidated entity 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. OPTIONS

The Company has not issued any options over unissued shares.

14. 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 directors' report and financial report have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors.

W G Kent, AO	C J Glenn
Chairman	Managing Director

Perth
29 August 2003

Statement of Financial Performance

for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
Revenue from ordinary activities	3	**435,334**	404,376	**383,015**	352,994
Cost of sales	4	**(271,927)**	(258,871)	**(239,358)**	(225,583)
Employee benefits expense		**(81,319)**	(77,689)	**(70,971)**	(67,170)
Depreciation and amortisation expenses	4	**(8,068)**	(8,152)	**(6,405)**	(6,787)
Borrowing costs	4	**(2,517)**	(2,268)	**(2,364)**	(2,267)
Occupancy costs		**(8,565)**	(8,306)	**(5,777)**	(5,377)
Book value of assets sold		**(8,164)**	(2,295)	**(8,034)**	(1,528)
Communication costs		**(3,242)**	(3,719)	**(2,671)**	(3,076)
Recoverable amount write-down	4	**(2,252)**	(836)	**(8,088)**	(9,495)
Other expenses from ordinary activities		**(32,410)**	(31,398)	**(24,355)**	(21,958)
Profit from ordinary activities before income tax expense		**16,870**	10,842	**14,992**	9,753
Income tax expense	5	**(6,008)**	(7,059)	**(5,090)**	(5,971)
Profit from ordinary activities after income tax expense		**10,862**	3,783	**9,902**	3,782
Net (profit)/loss attributable to outside equity interest		**(95)**	753	**-**	-
Net profit attributable to members of Coventry Group Ltd		**10,767**	4,536	**9,902**	3,782
Net exchange differences on translation of financial statements of foreign controlled entities	27 (a)	**(281)**	663	**-**	-
Net decrease in retained profits on the initial adoption of revised AASB 1028 “Employee Benefits”	2,27 (b)	**(168)**	-	**(154)**	-
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd recognised directly in equity		**(449)**	663	**(154)**	-
Total changes in equity other than those resulting from transactions with owners as owners	29	**10,318**	5,199	**9,748**	3,782
Basic and diluted earnings per share	10	**31.5 cents**	13.4 cents		

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

as at 30 June 2003

		Consolidated Entity		Parent Entity	
	Note	**2003 $000**	2002 $000	**2003 $000**	2002 $000
CURRENT ASSETS					
Cash assets	11	**8,496**	7,536	**5,926**	5,502
Receivables	13	**65,009**	62,269	**60,603**	56,114
Inventories	14	**81,479**	84,339	**63,933**	65,657
Other assets	20	**1,132**	1,056	**939**	1,075
TOTAL CURRENT ASSETS		**156,116**	155,200	**131,401**	128,348
NON-CURRENT ASSETS					
Other financial assets	15	**-**	-	**19,921**	26,783
Property, plant and equipment	17	**59,463**	65,059	**53,202**	58,632
Tax assets	18	**4,948**	4,048	**4,507**	3,659
Intangible assets	19	**22,277**	25,655	**16,632**	17,255
TOTAL NON-CURRENT ASSETS		**86,688**	94,762	**94,262**	106,329
TOTAL ASSETS		**242,804**	249,962	**225,663**	234,677
CURRENT LIABILITIES					
Payables	21	**42,116**	38,663	**37,525**	33,331
Interest-bearing liabilities	22	**22**	39	**-**	-
Tax liabilities	23	**1,548**	3,796	**1,720**	3,508
Provisions	24	**1,739**	5,315	**1,441**	5,313
TOTAL CURRENT LIABILITIES		**45,425**	47,813	**40,686**	42,152
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	22	**31,888**	43,263	**27,500**	43,219
Provisions	24	**2,646**	2,808	**2,586**	2,532
Other liabilities	25	**37**	186	**-**	-
TOTAL NON-CURRENT LIABILITIES		**34,571**	46,257	**30,086**	45,751
TOTAL LIABILITIES		**79,996**	94,070	**70,772**	87,903
NET ASSETS		**162,808**	155,892	**154,891**	146,774
EQUITY					
Contributed equity	26	**90,402**	87,242	**90,402**	87,242
Reserves	27 (a)	**32,510**	32,791	**31,939**	31,939
Retained profits	27 (b)	**36,740**	30,932	**32,550**	27,593
Total parent entity interest		**159,652**	150,965	**154,891**	146,774
Outside equity interest	28	**3,156**	4,927	**-**	-
TOTAL EQUITY	29	**162,808**	155,892	**154,891**	146,774

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
Cash Flows From Operating Activities:					
Receipts from customers		**463,970**	438,481	**406,028**	384,839
Payments to suppliers and employees		**(430,864)**	(414,120)	**(373,328)**	(361,282)
Interest received		**657**	430	**626**	513
Dividend received		**-**	-	**721**	647
Interest and other costs of finance paid		**(2,294)**	(2,453)	**(2,141)**	(2,452)
Income tax paid		**(9,088)**	(6,620)	**(7,660)**	(5,370)
Net cash provided by operating activities	12 (b)	**22,381**	15,718	**24,246**	16,895
Cash Flows From Investing Activities:					
Proceeds from sale of property, plant and equipment		**6,964**	2,384	**6,845**	1,724
Payment for property, plant and equipment		**(8,613)**	(6,712)	**(7,745)**	(5,605)
Repayment of advances to controlled entities		**-**	-	**4,122**	1,191
Advances to controlled entities		**-**	-	**(3,773)**	(321)
Advances to other entities		**-**	(16)	**-**	(16)
Payments for acquisition of businesses		**(562)**	-	**-**	-
Net cash used in investing activities		**(2,211)**	(4,344)	**(551)**	(3,027)
Cash Flows From Financing Activities:					
Proceeds from borrowings		**4,335**	15,469	**-**	15,469
Repayment of borrowings		**(15,719)**	(2,350)	**(15,719)**	(2,350)
Dividends paid		**(7,552)**	(21,099)	**(7,552)**	(21,099)
Dividends paid to outside equity interests		**(274)**	(246)	**-**	-
Net cash used in financing activities		**(19,210)**	(8,226)	**(23,271)**	(7,980)
Net increase in cash		**960**	3,148	**424**	5,888
Cash at the beginning of the financial year		**7,536**	4,388	**5,502**	(386)
Cash at the end of the financial year	12 (a)	**8,496**	7,536	**5,926**	5,502

Non-cash financing and investing activities 12 (c)

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements form a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accrual accounting has been adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the consolidated entity of Coventry Group Ltd and its controlled entities, and Coventry Group Ltd as an individual parent entity.

As a result of applying the new accounting standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time, certain liabilities have been reclassified as described at note 1 (t).

(a) Principles of Consolidation

A controlled entity is any entity controlled by Coventry Group Ltd. Control exists where Coventry Group Ltd has the ability to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Coventry Group Ltd to achieve the objectives of Coventry Group Ltd. A list of controlled entities is contained within note 16 to the accounts.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, are eliminated on consolidation. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

Where controlled entities have entered or left the consolidated entity during the year, their operating results are included from the date control is obtained or until the date control ceases.

(b) Revenue Recognition

Revenue from the sale of goods is recognised upon delivery of the goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

(c) Income Tax

Coventry Group Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation and formed a tax consolidated group as of 1 November 2002.

As a consequence, Coventry Group Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Coventry Group Ltd has not entered into tax sharing agreements with the controlled entities in the tax consolidated group. All members of the tax consolidated group are jointly and severally liable for the tax liabilities of that group.

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES (continued)

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account either as a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and will comply with the conditions of deductibility imposed by the law.

(d) Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable at balance date are converted at the rates of exchange ruling at that date. The gains or losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in operating profit before income tax as they arise.

The assets and liabilities of the foreign controlled entities which are self sustaining are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken as at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A provision for restructuring, including employee termination benefits, related to an acquired entity or operation is recognised at the date of acquisition where:

- the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES (continued)

- a detailed formal plan is developed by the earlier of three months after the date of the acquisition and the completion of this financial report.

The provision only relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.

(f) Receivables

Trade Debtors

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs on delivery of inventories to customers. Trade debtors are recorded at nominal amounts. Credit terms are 30 days. Collectibility of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(h) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate.

(i) Depreciation of Property, Plant and Equipment

The depreciable amounts of all fixed assets including capitalised leased assets, but excluding freehold land and buildings, are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the consolidated entity, commencing from the time the asset is held ready for use. Buildings, excluding leasehold improvements, are depreciated on a straight line basis over 50 years. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
- Plant and Equipment	5% - 40%
- Buildings	2%

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives, where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Intangibles

Goodwill

Where an entity or operation is acquired, the identifiable net assets are measured at fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise. The cost of acquisition is discounted as described in note 1(e) where settlement of any part of cash consideration is deferred.

(l) Trade and Other Creditors

These amounts represent unpaid liabilities for goods received by and services provided to the consolidated entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 60 days.

(m) Interest-Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with the servicing of the debt. Interest is recognised over the period it becomes due and is recorded as part of other debtors or other creditors.

(n) Derivative Financial Instruments

Interest Rate Swaps

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur, the gains and losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedge transactions are no longer expected to occur, the gains or losses arising upon its early termination are recognised in the Statement of Financial Performance as at the date of the termination.

Notes to and forming part of the financial statements for the year ended 30 June 2003

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(o) Employee Benefits

Provision is made for the consolidated entity'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 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 contributions made to superannuation funds by entities within the consolidated entity are charged against profits when due.

Long term equity based incentives are provided for on a pro-rata basis over the incentive period.

(p) Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(q) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.

(r) Rounding of Amounts

The consolidated entity and the parent entity have applied the relief available under ASIC Class Order 98/0100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

(s) Comparative Information

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(t) Reclassification of Liabilities for Surplus Leased Space and Certain Employee Benefits

The liabilities for surplus leased space under non-cancellable operating leases, and employee benefits including related on-costs expected to be settled within one year, have been reclassified from provisions to interest bearing liabilities and other creditors respectively in the current year, as a result of the adoption of the new accounting standard, AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

The directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for surplus leased space and those employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

Notes to and forming part of the financial statements for the year ended 30 June 2003

2 CHANGES IN ACCOUNTING POLICIES

(a) Employee Benefits

The consolidated entity has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 July 2002.

The liability for wages and salaries, annual leave and long service leave expected to be settled within one year is now calculated using the remuneration rates the consolidated entity expects to pay as at each reporting date, not the remuneration rates current at reporting date.

The initial adjustments to the consolidated financial report as at 1 July 2002 as a result of this change are:

$237,634 (parent entity $220,528) increase in employee benefits.

$168,844 (parent entity $154,370) decrease in opening retained profits.

$68,790 (parent entity $66,158) increase in future income tax benefit.

As a result of this change in accounting policy, employee benefits expense increased by $24,943 (parent entity $23,068) and income tax expense decreased by $7,064 (parent entity $6,920) for the current year to 30 June 2003.

(b) Provisions

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the consolidated entity and parent entity financial reports as at 1 July 2002 as a result of this change are:

$4,052,929 increase in opening retained profits.

$4,052,929 decrease in provision for dividends.

There was no impact on net profit for the current financial year to 30 June 2003.

Notes to and forming part of the financial statements for the year ended 30 June 2003

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Pro Forma Statement of Financial Performance, The Restatement of Retained Profits, Future Income Tax Benefit, Provision for Dividend and Current Liabilities - Employee Benefits

Detailed below is the information that would have been disclosed had the new accounting policies disclosed in this note always been applied.

	Consolidated Entity		Parent Entity	
	2003 $000 (restated)	2002 $000 (restated)	**2003 $000 (restated)**	2002 $000 (restated)
Pro Forma Statement of Financial Performance				
Profit from ordinary activities before employee benefits and income tax expense	**98,189**	88,531	**85,963**	76,923
Employee benefits expense before adoption of revised AASB 1028 "Employee Benefits"	**(81,294)**	(77,689)	**(70,948)**	(67,170)
Effect of adoption of revised AASB 1028 "Employee Benefits"	**(25)**	(6)	**(23)**	(6)
Employee benefits expense	**(81,319)**	(77,695)	**(70,971)**	(67,176)
Profit from ordinary activities before income tax expense	**16,870**	10,836	**14,992**	9,747
Income tax expense before changes in accounting policies	**(6,015)**	(7,059)	**(5,097)**	(5,971)
Effect of adoption of revised AASB 1028 "Employee Benefits"	**7**	3	**7**	2
Income tax expense	**(6,008)**	(7,056)	**(5,090)**	(5,969)
Profit from ordinary activities after income tax expense	**10,862**	3,780	**9,902**	3,778
Net (profit)/loss attributable to outside equity interests	**(95)**	753	**-**	-
Restated net profit attributable to members of Coventry Group Ltd	**10,767**	4,533	**9,902**	3,778

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000 (restated)	2002 $000 (restated)	**2003 $000 (restated)**	2002 $000 (restated)
2 CHANGES IN ACCOUNTING POLICIES (continued)				
Restatement of Retained Profits				
Reported retained profits at the end of the previous year	**30,932**	33,152	**27,593**	30,567
Increase/(decrease) in retained profits due to changes in accounting policies on adoption of:				
Revised AASB 1028 "Employee Benefits"	**(168)**	(165)	**(154)**	(150)
Revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**4,053**	5,066	**4,053**	5,066
Restated retained profits at the beginning of the year	**34,817**	38,053	**31,492**	35,483
Restated net profit attributable to members of Coventry Group Ltd	**10,767**	4,533	**9,902**	3,778
Dividends recognised during the year	**(8,844)**	(7,769)	**(8,844)**	(7,769)
Restated retained profits at end of year	**36,740**	34,817	**32,550**	31,492
Restatement of future income tax benefit				
Balance at end of year as previously reported	**4,948**	4,048	**4,507**	3,659
Effect of adoption of revised AASB 1028 "Employee Benefits"	**-**	69	**-**	66
Restated balance at end of year	**4,948**	4,117	**4,507**	3,725
Restatement of provision for dividends				
Balance at end of year as previously reported	**-**	4,053	**-**	4,053
Effect of adoption of revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**-**	(4,053)	**-**	(4,053)
Restated balance at end of year	**-**	-	**-**	-
Restatement of other creditors - employee benefits				
Balance at end of year as previously reported	**6,332**	5,961	**5,836**	5,513
Effect of adoption of revised AASB 1028 "Employee Benefits"	**-**	238	**-**	220
Restated balance at end of year	**6,332**	6,199	**5,836**	5,733

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
3 REVENUES					
Revenue from operating activities:					
Sales revenue		**415,545**	394,476	**363,515**	343,741
Discounts and rebates		**6,497**	5,698	**6,094**	5,325
Government subsidies and grants		**66**	72	**-**	-
Other		**1,404**	1,105	**1,161**	833
		423,512	401,351	**370,770**	349,899
Revenue from non-operating activities:					
Dividends	4 (b)	**-**	-	**721**	647
Interest	4 (b)	**657**	430	**626**	513
Proceeds on disposal of non-current assets		**10,892**	2,384	**10,773**	1,724
Rental income		**273**	211	**125**	211
		11,822	3,025	**12,245**	3,095
Total revenue		**435,334**	404,376	**383,015**	352,994
4 OPERATING PROFIT					
(a) Charging as an expense					
Cost of sales of goods		**271,927**	258,871	**239,358**	225,583
Interest paid/payable to:					
- other persons		**2,517**	2,268	**2,364**	2,267
Depreciation of non-current assets:					
- buildings		**521**	571	**492**	541
- plant and equipment		**5,617**	5,894	**4,649**	5,018
Total depreciation		**6,138**	6,465	**5,141**	5,559
Amortisation of non-current assets:					
- distribution rights		**432**	198	**54**	-
- goodwill		**1,498**	1,489	**1,210**	1,228
Total amortisation		**1,930**	1,687	**1,264**	1,228
Total depreciation and amortisation		**8,068**	8,152	**6,405**	6,787
Provision for doubtful advance to controlled entity		**-**	-	**1**	2
Write-downs of non-current assets to recoverable amount:					
Other financial assets					
- shares in subsidiaries		**-**	-	**8,088**	8,659
Property plant and equipment					
- buildings		**-**	836	**-**	836
Intangible assets					
- distribution rights		**2,252**	-	**-**	-
		2,252	836	**8,088**	9,495

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
4 OPERATING PROFIT (continued)				
Movements in other provisions and allowances:				
- warranty	**11**	6	**10**	5
- employee benefits	**675**	745	**548**	772
- obsolete stock	**1,577**	(153)	**1,472**	(323)
Total other provisions	**2,263**	598	**2,030**	454
Net bad and doubtful debts expense	**1,179**	1,285	**922**	736
Rental expense on operating leases:				
- minimum lease payments	**7,426**	7,484	**4,703**	4,476
- surplus leased space	**261**	62	**-**	-
Total rental expense relating to operating leases	**7,687**	7,546	**4,703**	4,476
(b) Crediting as income:				
Dividends from:				
- partly-owned controlled entities	**-**	-	**721**	647
Interest revenue from:				
- other persons	**657**	430	**520**	277
- wholly-owned controlled entities	**-**	-	**106**	236
	657	430	**626**	513
Net gain on disposal of assets:				
- property, plant and equipment	**2,728**	200	**2,739**	196

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
5 INCOME TAX				
(a) The prima facie tax payable on the operating profit is reconciled to the income tax provided for in the accounts as follows:				
Prima facie tax payable on operating profit before income tax calculated at 30%	**5,061**	3,253	**4,498**	2,926
Tax effect of permanent differences:				
Add:				
- recoverable amount write-down of land and buildings	**-**	251	**-**	251
- depreciation of buildings	**24**	25	**15**	16
- recoverable amount write-down of distribution rights	**676**	-	**-**	-
- amortisation of goodwill	**579**	506	**379**	368
- assessable profit on sale of property	**-**	2	**-**	2
- non-deductible provision for loss on investment in controlled entity	**-**	-	**2,427**	2,598
- tax losses not brought to account	**582**	2,940	**-**	-
- adjustment for higher tax rate applicable to foreign controlled entities	**57**	48	**-**	-
- under-provision of income tax in prior year	**-**	30	**-**	3
- other non-deductible expenses	**18**	14	**12**	11
	1,936	3,816	**2,833**	3,249
Less:				
- rebateable dividends	**-**	-	**(216)**	(194)
- non-assessable profit on sale of property	**(704)**	-	**(704)**	-
- tax benefit on losses from tax consolidated subsidiary	**-**	-	**(1,046)**	(10)
- overprovision of income tax in prior year	**(25)**	-	**(15)**	-
- tax losses not previously brought to account	**(260)**	(10)	**(260)**	-
	(989)	(10)	**(2,241)**	(204)
Income tax expense attributable to operating profit before income tax	**6,008**	7,059	**5,090**	5,971
(b) Income tax expense attributable to operating profit is made up of:				
Current income tax provision	**6,933**	7,424	**5,953**	6,221
Future income tax benefit	**(900)**	(395)	**(848)**	(253)
Under/(over) provision in prior year	**(25)**	30	**(15)**	3
	6,008	7,059	**5,090**	5,971
(c) Future income tax benefits not brought to account as assets:				
Tax losses – revenue	**5,694**	5,455	**5,694**	-
Tax losses – capital	**1,247**	490	**1,247**	-
	6,941	5,945	**6,941**	-

The taxation benefits of tax losses not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(b) conditions for deductibility imposed by the law are complied with; and

(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
6 INDIVIDUALLY SIGNIFICANT ITEMS					
Individually significant items included in profit from ordinary activities before income tax expense					
Profit on sale of land and buildings		**(2,346)**	(26)	**(2,346)**	(26)
Recoverable amount write-down of land and buildings	4(a)	**-**	836	**-**	836
Recoverable amount write-down of distribution rights	4(a)	**2,252**	-	**-**	-
Cost of closing Victorian activities of Coventry Auto Parts Pty Ltd		**-**	2,725	**-**	-
Provision for loss on investment in Coventry Auto Parts Pty Ltd	4(a)	**-**	-	**8,088**	8,659
		(94)	**3,535**	**5,742**	9,469

7 REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' Remuneration

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
Income paid or payable to all directors of each entity in the consolidated entity by the entities of which they are directors and any related parties	7(c)	**1,879**	995		
Income paid or payable to all directors of the parent entity by the parent entity and any related parties	7(c)			**1,670**	973

Number of directors whose income from the parent entity and any related parties was within the following bands:	Note	2003 No.	2002 No.
$30,000 - $39,999		**-**	1
$40,000 - $49,999		**3**	3
$50,000 - $59,999		**1**	-
$70,000 - $79,999		**1**	1
$90,000 - $99,999		**1**	1
$100,000 - $109,999		**-**	1
$170,000 - $179,999		**1**	-
$520,000 - $529,999		**-**	1
$1,130,000 - $1,139,999	7(c)	**1**	-

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
7 REMUNERATION AND RETIREMENT BENEFITS (continued)					
(b) Executive Remuneration					
Remuneration received or due and receivable by executive officers (including directors) of the consolidated entity, from all entities in the consolidated entity and any related parties, whose remuneration is $100,000 or more	7(c)	**5,825**	4,179		
Remuneration received or due and receivable by executive officers (including directors) of the parent entity, from the parent entity and any related parties, whose income is $100,000 or more	7(c)			**5,336**	3,674
Number of executive officers whose income was within the following bands:		**No.**	**No.**	**No.**	**No.**
$100,000 - $109,999		**2**	1	**1**	1
$110,000 - $119,999		**10**	7	**8**	5
$120,000 - $129,999		**5**	7	**5**	6
$130,000 - $139,999		**4**	3	**4**	3
$140,000 - $149,999		**5**	3	**5**	2
$150,000 - $159,999		**2**	-	**1**	-
$160,000 - $169,999		**-**	1	**-**	1
$170,000 - $179,999		**1**	1	**1**	1
$180,000 - $189,999		**2**	-	**2**	-
$190,000 - $199,999		**-**	1	**-**	1
$230,000 - $239,999		**-**	1	**-**	1
$260,000 - $269,999		**-**	1	**-**	1
$270,000 - $279,999		1	-	**1**	-
$300,000 - $309,999		**1**	-	**1**	-
$520,000 - $529,999		-	1	**-**	1
$1,130,000 - $1,139,999	7(c)	**1**	-	**1**	-

(c) Included in Directors' Remuneration and Executive Remuneration is the benefit, including leave entitlements, of $799,000 paid to the Managing Director, Mr B Watson, on his retirement.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
8 REMUNERATION OF AUDITORS				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing accounts	**193**	180	**181**	180
- other services	**17**	10	**15**	9
- other services provided by related practice of auditor	**-**	4	**-**	4
	210	194	**196**	193
Remuneration of the auditors of controlled entities for:				
- auditing or reviewing accounts	**96**	95	**-**	-
- other services	**28**	25	**-**	-
	124	120	**-**	-
	334	314	**196**	193
9 DIVIDENDS PAID AND PROPOSED				
Ordinary Shares				
Interim dividend of 14 cents (2002: 8 cents) per share paid on 2 April 2003 (2002: 13 May 2002), fully franked based on tax paid at 30%	**4,791**	2,703	**4,791**	2,703
Final dividend of 12 cents per share paid on 27 September 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of this financial year as a result of the change in accounting policy for providing for dividends (note 2(b)), fully franked based on tax paid at 30%	**4,053**	4,053	**4,053**	4,053
	8,844	6,756	**8,844**	6,756

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
9 DIVIDENDS PAID AND PROPOSED (continued)				
Dividends Not Recognised at Year End				
In addition to the above dividends, since the end of the financial year the directors have declared a final dividend of 16 cents per share fully franked at 30%. The aggregate amount of the proposed dividend expected to be paid on 25 September 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (note 2(b)), is	**5,523**	-	**5,523**	-
Franked Dividends:				
Franking credits available for subsequent financial years:	**27,911**	26,238	**23,640**	21,743

The above amounts represent the balances as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of a current tax liability
- franking debits that will arise from the payment of proposed dividends
- franking credits that will arise from the receipt of dividends receivable, and
- franking credits that may be prevented from being distributed in subsequent financial years.

From 1 July 2002, the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than the after tax profits.

As a result, the franking credits available were converted from $61,223,000 (parent entity: $50,733,000) to $26,238,000 (parent entity: $21,743,000) as at 1 July 2002.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
10 EARNINGS PER SHARE				
Earnings reconciliation:				
Profit from ordinary activities after income tax expense	**10,862**	3,783		
Net (profit)/loss attributable to outside equity interest	**(95)**	753		
Restatement of prior year earnings on initial adoption of revised AASB 1028 "Employee Benefits" adjusted directly against retained profits	**-**	**(3)**		
Basic and diluted earnings	**10,767**	4,533		
Basic earnings per share (cents)	**31.5**	13.4		
Diluted earnings per share (cents)	**31.5**	13.4		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**34,166,665**	33,774,406		
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**34,199,383**	33,774,406		
11 CASH ASSETS				
Cash on hand	**80**	79	**69**	68
Cash deposits with banks	**3,535**	4,222	**1,176**	3,215
Short term money market deposits	**4,881**	3,235	**4,681**	2,219
	8,496	7,536	**5,926**	5,502

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
12 NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash on hand	**80**	79	**69**	68
Cash deposits with banks	**3,535**	4,222	**1,176**	3,215
Short term money market deposits	**4,881**	3,235	**4,681**	2,219
Balance per Statement of Cash Flows	**8,496**	7,536	**5,926**	5,502
(b) Reconciliation of cash flow from operating activities with operating profit after income tax				
Operating profit after income tax	**10,862**	3,783	**9,902**	3,782
Non-cash flows in operating profit:				
Recoverable amount write-down of land and buildings	**-**	836	**-**	836
Recoverable amount write-down of distribution rights	**2,252**	-	**-**	-
Amortisation of goodwill	**1,930**	1,687	**1,264**	1,228
Depreciation	**6,138**	6,465	**5,141**	5,559
Transfers to provisions and allowances	**3,522**	378	**11,956**	9,450
Profits on sale of property, plant and equipment	**(2,728)**	(89)	(2,739)	(196)
Net exchange differences	**(315)**	366	**-**	-
(Decrease)/increase in tax payable	**(2,179)**	861	**(1,722)**	854
Increase in future income tax benefit	**(900)**	(395)	**(848)**	(253)
Changes in assets and liabilities:				
(Increase)/decrease in trade and other debtors	**(276)**	602	**(1,920)**	1,223
Decrease/(increase) in prepaid interest	**223**	(185)	**223**	(185)
Decrease/(increase) in inventories	**920**	2,602	**(893)**	(4,292)
Increase/(decrease) in trade and other creditors	**2,932**	(1,193)	**3,882**	(1,111)
Cash flows from operating activities	**22,381**	15,718	**24,246**	16,895

(c) Non-cash financing and investing activities

The only non-cash financing and investing activities for the consolidated entity for the year ended 30 June 2003 were the issues of ordinary shares by the parent entity to secure Ford automotive parts distribution rights in Western Australia, to acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd, and to satisfy dividend entitlements pursuant to the dividend reinvestment plan, as detailed at note 26(b).

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
13 RECEIVABLES					
Current					
Trade debtors		**61,104**	61,493	**53,098**	51,481
Allowance for doubtful debts		**(2,405)**	(1,860)	**(1,659)**	(1,198)
		58,699	59,633	**51,439**	50,283
Other debtors		**6,310**	2,636	**5,565**	1,882
Amounts receivable from:					
- wholly-owned group		**-**	-	**3,599**	10,781
- allowance for doubtful debts		**-**	-	**-**	(6,832)
		-	-	**3,599**	3,949
		65,009	62,269	**60,603**	56,114
14 INVENTORIES					
Current					
Raw materials at cost		**922**	981	**-**	-
Finished goods at cost		**84,119**	85,343	**66,969**	67,221
Allowance for obsolescence		**(3,562)**	(1,985)	**(3,036)**	(1,564)
		80,557	83,358	**63,933**	65,657
		81,479	84,339	**63,933**	65,657
15 OTHER FINANCIAL ASSETS					
Non-current					
Investments comprise:					
Shares in controlled entities	16				
- unlisted at cost		**-**	-	**45,069**	43,842
- allowance for write-down		**-**	-	**(25,148)**	(17,059)
		-	-	**19,921**	26,783

Notes to and forming part of the financial statements for the year ended 30 June 2003

16 INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Cost of Parent Entity's Investment	
			2003	2002	**2003**	2002
			%	%	**$000**	$000
AA Gaskets Pty Ltd	Australia	Ordinary	**73**	73	**4,713**	4,713
Coventry Auto Parts Pty Ltd	Australia	Ordinary	**100**	88	**35,227**	34,000
GBSJ Pty Ltd (in liquidation)	Australia	Ordinary	**100**	100	-	-
Hylton Parker Fasteners Limited	New Zealand	Ordinary	**100**	100	**4,829**	4,829
NZ Gaskets Ltd*	New Zealand	Ordinary	**73**	73	**-**	-
ZZTXH Pty Ltd (in liquidation)	Australia	Ordinary	**100**	100	**300**	300
					45,069	43,842

The ultimate parent entity is Coventry Group Ltd.

In October 2002, 287,068 fully paid ordinary shares were issued to acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd.

* This company is a controlled entity of AA Gaskets Pty Ltd and operates in New Zealand.

	Note	Consolidated Entity		Parent Entity	
		2003 $000	2002 $000	**2003 $000**	2002 $000
17 PROPERTY, PLANT AND EQUIPMENT					
LAND AND BUILDINGS					
Freehold land					
At cost		**14,013**	17,603	**13,188**	16,778
At recoverable amount		**850**	850	**850**	850
		14,863	**18,453**	14,038	17,628
Buildings					
At cost		**22,206**	26,161	**20,731**	24,686
At recoverable amount		**1,150**	1,150	**1,150**	1,150
Less accumulated depreciation		**(1,783)**	(1,536)	**(1,658)**	(1,440)
		21,573	25,775	**20,223**	24,396
Total Land and Buildings		**36,436**	44,228	**34,261**	42,024
PLANT AND EQUIPMENT					
At cost		**57,210**	52,119	**47,783**	43,354
Less accumulated depreciation		**(34,190)**	(31,325)	**(28,842)**	(26,746)
		23,020	20,794	**18,941**	16,608
Plant and equipment in the course of construction	**7**	37	**-**	-	
Total Owned Plant and Equipment		**23,027**	20,831	**18,941**	16,608
Total Property, Plant and Equipment		**59,463**	65,059	**53,202**	58,632

Valuations

The independent valuation of the consolidated entity's freehold land and buildings carried out as at March 2002 on the basis of open market values for continuing use resulted in a valuation of land of $16,338,100 (the parent entity: $15,168,100) and a valuation of buildings of $23,381,900 (the parent entity: $21,881,900) for land and buildings held at balance date.

Notes to and forming part of the financial statements for the year ended 30 June 2003

17 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
Total Land				
Carrying amount at start of year	**18,453**	19,146	**17,628**	18,321
Disposals	**(3,590)**	(693)	**(3,590)**	(693)
Carrying amount at end of year	**14,863**	18,453	**14,038**	17,628
Total Buildings				
Carrying amount at start of year	**25,775**	27,436	**24,396**	26,027
Additions	**147**	55	**147**	55
Disposals	**(3,828)**	(309)	**(3,828)**	(309)
Depreciation	**(521)**	(571)	**(492)**	(541)
Recoverable amount write-down	**-**	(836)	**-**	(836)
Carrying amount at end of year	**21,573**	25,775	**20,223**	24,396
Total Owned Plant and Equipment				
Carrying amount at start of year	**20,831**	21,268	**16,608**	16,541
Additions	**8,466**	6,657	**7,597**	5,550
Disposals	**(747)**	(1,293)	**(615)**	(526)
Transferred from leased plant and equipment	**-**	61	**-**	61
Acquisitions through acquisitions of entities or operations	**147**	-	**-**	-
Discount on acquisition of entities or operations	**(62)**	-	**-**	-
Foreign currency exchange differences	**9**	32	**-**	-
Depreciation	**(5,617)**	(5,894)	**(4,649)**	(5,018)
Carrying amount at end of year	**23,027**	20,831	**18,941**	16,608
Total Leased Plant and Equipment				
Carrying amount at start of year	**-**	61	**-**	61
Transferred to owned plant and equipment	**-**	(61)	**-**	(61)
Carrying amount at end of year	**-**	-	**-**	-

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
18 TAX ASSETS				
Non-current				
Future income tax benefit	**4,948**	4,048	**4,507**	3,659
The future income tax benefit is made up of the following estimated tax benefits:				
- timing differences	**4,948**	4,048	**4,507**	3,659
19 INTANGIBLE ASSETS				
Non-current				
Goodwill at cost	**31,953**	31,795	**25,697**	25,697
Less accumulated amortisation	**(11,063)**	(9,570)	**(9,652)**	(8,442)
	20,890	22,225	**16,045**	17,255
Distribution rights at cost	**641**[1]	3,967[2]	**641**[1]	-
Less accumulated amortisation	**(54)**	(537)	**(54)**	-
	587	3,430	**587**	-
Distribution rights at recoverable amount	**800**[2]	-	**-**	-
	22,277	25,655	**16,632**	17,255

[1] Represents consideration paid for the right to distribute Ford parts and accessories in Western Australia for a ten year term ending on 14 August 2011.

[2] Relates to the right to distribute Ford parts and accessories in New South Wales for a ten year term ending on 14 August 2011. A recoverable amount write-down of $2,252,000 was recognised in the year ended 30 June 2003. The recoverable amount was determined by reference to an independent valuation, formed on the basis of the contribution of profits that the asset makes to the consolidated entity's earnings.

Distribution rights are amortised on a straight line basis over the term of the relevant distribution agreement.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
20 OTHER ASSETS					
Current					
Prepayments		**1,132**	1,056	**939**	1,075
21 PAYABLES					
Current					
Unsecured liabilities:					
Trade creditors		**34,467**	29,556	**30,626**	25,594
Other creditors		**7,649**	9,107	**6,899**	7,737
		42,116	38,663	**37,525**	33,331
22 INTEREST-BEARING LIABILITIES					
Current					
Surplus leased space		**22**	39	**-**	-
Non-current					
Bill acceptance facility - secured	(a)	**31,835**	43,219	**27,500**	43,219
Surplus leased space		**53**	44	**-**	-
		31,888	43,263	**27,500**	43,219
(a) Facilities utilised at balance date					
Bill acceptance facility		**31,835**	43,219	**27,500**	43,219
(b) Facilities not utilised at balance date					
Bank overdrafts		**5,000**	5,000	**5,000**	5,000
Bill acceptance facility		**15,775**	6,781	**14,908**	6,781
		20,775	11,781	**19,908**	11,781

(c) Securities

The bill acceptance facility as at the date of this report comprises an Australian dollar facility of $40,408,000 ($42,408,000 as at balance date) for the parent entity, and a New Zealand dollar facility of $6,000,000 for Hylton Parker Fasteners Limited.

The bank overdraft and bill acceptance facility are secured by fixed and floating charges over the assets and undertakings of the parent entity and Coventry Auto Parts Pty Ltd, a general security agreement from Hylton Parker Fasteners Limited, and by a deed of cross guarantee between those companies.

The bill acceptance facility is subject to annual review.

(d) Surplus leased space

The liability for surplus leased space represents the future payments falling due during the period to 30 August 2007 for surplus leased space under non-cancellable operating leases, net of sub-leasing revenue, discounted at 5%.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
23 TAX LIABILITIES					
Current					
Income tax		**1,548**	3,796	**1,720**	3,508
24 PROVISIONS					
Current					
Dividends	9	**-**	4,053	**-**	4,053
Employee benefits	32	**1,722**	1,256	**1,426**	1,255
Warranty		**17**	6	**15**	5
		1,739	5,315	**1,441**	5,313
Non-current					
Employee benefits	32	**2,646**	2,808	**2,586**	2,532

(a) Movement in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Consolidated Entity 2003 $000	Parent Entity 2003 $000
Dividends - current		
Carrying amount at beginning of year	**4,053**	4,053
Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	**(4,053)**	(4,053)
Provisions made during the year:		
- final dividend 2002	**4,053**	4,053
- interim dividend 2003	**4,791**	4,791
Payments made during the year	**(8,844)**	(8,844)
Carrying amount at the end of year	**-**	-
Warranty – current		
Carrying amount at beginning of year	**6**	5
Provisions made during the year	**18**	15
Payments made during the year	**(7)**	(5)
Carrying amount at end of year	**17**	15

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
25 OTHER LIABILITIES				
Non-current				
Other creditors	37	186	**-**	-

	Note	Parent Entity		Parent Entity	
		2003 Number of Shares	2002 Number of Shares	**2003 $000**	2002 $000
26 CONTRIBUTED EQUITY					
(a) Share capital					
Ordinary shares					
Fully paid	(b)	**34,519,727**	33,774,406	**90,402**	87,242
(b) Ordinary shares					
Movements during the year					
Balance at beginning of year		**33,774,406**	33,774,406	**87,242**	87,242
Shares issued					
- secure Ford automotive parts distribution rights in Western Australia		**150,000**	-	**641**	-
- acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd		**287,068**	-	**1,227**	-
- dividend reinvestment plan		**308,253**	-	**1,292**	-
		34,519,727	33,774,406	**90,402**	87,242

Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the year shares were issued under the plan at a 2.5% discount to the market price, calculated according to the plan.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
27 RESERVES AND RETAINED PROFITS					
(a) Reserves					
Asset realisation reserve		**17,917**	15,659	**17,908**	15,650
Asset revaluation reserve		**14,173**	16,431	**14,031**	16,289
Foreign currency translation reserve		**420**	701	**-**	-
		32,510	32,791	**31,939**	31,939
Movements during the year:					
Asset realisation reserve					
Opening balance		**15,659**	15,389	**15,650**	15,380
Transfer from asset revaluation reserve		**2,258**	270	**2,258**	270
Closing balance		**17,917**	15,659	**17,908**	15,650
Asset revaluation reserve					
Opening balance		**16,431**	16,701	**16,289**	16,559
Transfer to asset realisation reserve		**(2,258)**	(270)	**(2,258)**	(270)
Closing balance		**14,173**	16,431	**14,031**	16,289
Foreign currency translation reserve					
Opening balance		**701**	38	**-**	-
Net exchange differences on translation of foreign controlled entities		**(279)**	692	**-**	-
Applicable to outside equity interests		**(2)**	(29)	**-**	-
Closing balance		**420**	701	**-**	-
(b) Retained Profits					
Retained profits at the beginning of the financial year		**30,932**	33,152	**27,593**	30,567
Adjustment resulting from initial adoption of revised AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”		**4,053**	-	**4,053**	-
Adjustment resulting from initial adoption of revised AASB 1028 “Employee Benefits”		**(168)**	-	**(154)**	-
Net profit attributable to members		**10,767**	4,536	**9,902**	3,782
Dividends provided for or paid	9	**(8,844)**	(6,756)	**(8,844)**	(6,756)
Retained profits at end of the financial year		**36,740**	30,932	**32,550**	27,593

(c) Nature and Purpose of Reserves:

Asset Realisation

The asset realisation reserve includes revaluation increments previously included in the asset revaluation reserve, which have been realised upon the disposal of previously revalued non-current assets.

Notes to and forming part of the financial statements for the year ended 30 June 2003

27 RESERVES AND RETAINED PROFITS (continued)

Asset Revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. The balance of the reserve is not available for future asset write-downs as a result of the deemed cost election for land and buildings when adopting AASB 1041.

Foreign Currency Translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations.

28 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

	Consolidated Entity	
	2003 $000	2002 $000
Outside equity interest comprises:		
Share capital	**3**	3,969
Reserves	**126**	125
Retained profits	**3,027**	833
	3,156	4,927

29 EQUITY

	Consolidated Entity		Parent Entity	
	2003 $000	2002 $000	**2003 $000**	2002 $000
Total equity at the beginning of the financial year	**155,892**	158,418	**146,774**	149,748
Adjustment to retained earnings at the beginning of the year resulting from change in accounting policy for providing for dividends	**4,053**	-	**4,053**	-
Total changes in equity recognised in the Statement of Financial Performance	**10,318**	5,199	**9,748**	3,782
Transactions with owners as owners:				
Dividends provided for or paid	**(8,844)**	(6,756)	**(8,844)**	(6,756)
Share issues	**3,160**	-	**3,160**	-
Total changes in outside equity interest	**(1,771)**	(969)	**-**	-
Total equity at the end of the financial year	**162,808**	155,892	**154,891**	146,774

Notes to and forming part of the financial statements for the year ended 30 June 2003

30 FINANCIAL INSTRUMENTS

(a) Off Balance Sheet Financial Instruments

The consolidated entity is a party to financial instruments with off balance sheet risk to hedge its exposure to fluctuations in interest rates.

Interest rate swap contracts

Commercial bills payable of the consolidated entity currently bear an average variable interest rate of 4.8%. It is policy to protect part of the bills payable from exposure to increasing rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis every 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover approximately 97% of the principal outstanding. The fixed interest rates range between 5.4% and 6.2%.

The notional principal amounts and expiry periods of the interest rate swaps are as follows:

	2003	2002
	$000	$000
Less than one year	**5,000**	-
One to two years	**-**	16,000
Two to five years	**26,000**	15,000
	31,000	31,000

Notes to and forming part of the financial statements for the year ended 30 June 2003

30 FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate $000	1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-Interest bearing $000	Total $000
30 June 2003								
Financial Assets								
Cash and deposits	11	4.47%	8,416	-	-	-	80	8,496
Receivables	13	9.00%	-	1,050	-	-	63,959	65,009
Other assets	20		-	-	-	-	1,132	1,132
			8,416	1,050	-	-	65,171	74,637
Financial Liabilities								
Trade and other creditors	21		-	-	-	-	42,116	42,116
Bills payable	22	4.82%	31,835	-	-	-	-	31,835
Other liabilities	25		-	-	-	-	37	37
Surplus leased space	22	5.00%	-	22	53	-	-	75
Interest rate swaps (at notional principal amount)		5.87%	(31,000)	5,000	26,000	-	-	-
			835	5,022	26,053	-	42,153	74,063
Net financial assets/ (liabilities)			7,581	(3,972)	(26,053)	-	23,018	574
30 June 2002								
Financial Assets								
Cash and deposits	11	4.29%	7,457	-	-	-	79	7,536
Receivables	13	9.00%	-	1,050	-	-	61,219	62,269
Other assets	20		-	-	-	-	1,056	1,056
			7,457	1,050	-	-	62,354	70,861
Financial Liabilities								
Trade and other creditors	21		-	-	-	-	38,663	38,663
Bills payable	22	5.20%	43,219	-	-	-	-	43,219
Other liabilities	25		-	-	-	-	186	186
Surplus leased space	22	5.00%	-	39	43	1	-	83
Interest rate swaps (at notional principal amount)		6.17%	(31,000)	-	31,000	-	-	-
			12,219	39	31,043	1	38,849	82,151
Net financial assets/ (liabilities)			(4,762)	1,011	(31,043)	(1)	23,505	(11,290)

Notes to and forming part of the financial statements for the year ended 30 June 2003

30 FINANCIAL INSTRUMENTS (continued)

(c) Credit Risk Exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the consolidated entity to incur a financial loss.

On balance sheet financial instruments

The credit risk exposure of the consolidated entity to financial assets which have been recognised in the Statement of Financial Position is generally the carrying amounts, net of any provisions for doubtful debts.

Off balance sheet financial instruments

The credit risk exposure of the consolidated entity to off balance sheet financial instruments, including derivatives, arises because of the risk that counter parties may not meet their obligations under their respective contracts at maturity. The consolidated entity attempts to minimise that risk by ensuring that counter parties are recognised financial intermediaries with AAA credit ratings.

(d) Net Fair Values of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recognised in the financial statements approximates their net fair values.

None of the consolidated entity's financial assets and financial liabilities are readily traded on organised markets in standardised form.

The net fair value of the consolidated entity's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

The net fair value of financial instruments not recognised on the Statement of Financial Position at balance date is:

	2003	2002
	$000	$000
Interest rate swaps	**(1,020)**	(211)

Notes to and forming part of the financial statements for the year ended 30 June 2003

	Note	Consolidated Entity 2003 $000	Consolidated Entity 2002 $000	Parent Entity 2003 $000	Parent Entity 2002 $000
31 CAPITAL AND LEASING COMMITMENTS					
(a) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Not later than one year		**5,913**	6,147	**3,181**	3,261
Later than one year but not later than five years		**9,228**	11,056	**4,484**	4,819
Later than five years		**560**	442	**560**	55
		15,701	17,645	**8,225**	8,135
Less future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases not recognised in the financial statements		**(638)**	(561)	**-**	-
		15,063	17,084	**8,225**	8,135
(b) Capital Expenditure Commitments					
Plant and equipment purchases					
Not later than one year		**139**	28	**139**	-
		139	28	**139**	-
32 EMPLOYEE BENEFITS					
(a) Employee Benefits and Related On-cost Liabilities					
Included in other creditors – current	21	**6,332**	5,961	**5,836**	5,513
Provision for employee benefits – current	24	**1,722**	1,256	**1,426**	1,255
Provision for employee benefits – non-current	24	**2,646**	2,808	**2,586**	2,532
Aggregate employee benefits and related on-cost liability		**10,700**	10,025	**9,848**	9,300
(b) Employee Numbers					
Number of employees at reporting date		**1,891**	1,923	**1,608**	1,614

Notes to and forming part of the financial statements for the year ended 30 June 2003

32 EMPLOYEE BENEFITS (continued)

(c) Incentive Payments

Mr Chris Glenn took up his appointment to the position of Managing Director and Chief Executive Officer on 3 February 2003.

In addition to a base salary, the contract provides for incentive payments as follows:

- Short Term Incentive (STI) of up to 25% of base salary subject to the achievement of Key Performance Indicators to be agreed annually. The STI will be paid in cash. For the period ended 30 June 2003, the STI is to be paid on a pro-rata basis.
- Long Term Incentive (LTI) of up to 25% of base salary split equally between the following performance hurdles:
  - Growth in Earnings Per Share (EPS); and
  - Total Shareholder Return (TSR), i.e. share price growth plus dividends paid of Coventry Group Limited (CYG) measured against the Small Industrials Index.

The LTI payment will be made in the form of CYG shares at a price fixed by reference to the weighted average price of the Company's shares traded on the Australian Stock Exchange in the five trading days prior to 1 July of the year to which the LTI relates. For the period of 17 months from commencement of employment to 30 June 2004, an LTI has been made available on a pro-rata basis and the price of the shares offered is the weighted average price of shares traded in the five days before Mr Glenn commenced employment. As a consequence, an offer of 32,718 CYG ordinary shares at an issue price of $4.33 has been made to Mr Glenn subject to the achievement of the performance hurdles referred to above.

Shares issued in satisfaction of the LTI payments must be held for a minimum period of three years or until termination of employment, whichever comes first. When issued, the shares carry full dividend and voting rights.

Shareholder approval to the issue of shares under these arrangements will be sought at the Annual General Meeting scheduled for 5 November 2003 when further details will be provided.

For the year ended 30 June 2003, a pro-rata benefit has been accrued to cover any potential liability in relation to both the STI and LTI described above.

33 RELATED PARTY TRANSACTIONS

Director-Related Transactions

(a) Directors

The name of persons who were directors of Coventry Group Ltd at any time during the financial year are:

RB Flynn	CM Kyle
CJ Glenn	PA Kyle, AM
BA Goddard	RM McLean
WG Kent, AO	BR Watson

(b) Directors' Shareholdings

The aggregate number of shares of Coventry Group Ltd held directly, indirectly or beneficially by directors and/or director-related entities at balance date are as follows:

	2003	2002
Ordinary shares	**1,736,245**	1,740,068

Notes to and forming part of the financial statements for the year ended 30 June 2003

33 RELATED PARTY TRANSACTIONS (continued)

(c) Other Transactions

Directors

From time to time directors of the parent entity or its controlled entities may purchase goods from companies within the consolidated entity on the same terms and conditions as apply to any other employees of the consolidated entity.

During the year, fees totalling $7,200 were paid on normal commercial terms and conditions to Mr BA Goddard for consulting services.

Controlled Entities

Details of the ownership interest in controlled entities are set out in note 16: Investments in Controlled Entities.

Transactions between the parent entity and its controlled entities are as follows:

Transaction Type	*Terms and Conditions*	**2003 $000**	2002 $000
Purchases	(1)	**3,069**	8,331
Sales	(1)	**695**	1,157
Interest	(2)	**106**	236
Dividends received	(3)	**721**	647
Purchases – plant and equipment	(4)	**-**	606

(1) Transactions comprising the purchase and sale of raw materials, components and finished goods were made in the ordinary course of business with payment on normal commercial terms and conditions.

(2) Interest charged on funds in use by any controlled entity.

(3) Dividends received from controlled entities by the parent entity.

(4) Plant and equipment purchased by the parent entity from a controlled entity.

34 DEED OF CROSS GUARANTEE

During the financial year, the parent entity and Coventry Auto Parts Pty Ltd executed a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, Coventry Auto Parts Pty Ltd has been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the "Extended Closed Group".

The consolidated statement of financial performance, consolidated statement of financial position and summary of movements in retained profits of the Closed Group are:

Notes to and forming part of the financial statements for the year ended 30 June 2003

	2003 $000
34 DEED OF CROSS GUARANTEE (continued)	
(a) Statement of financial performance	
Revenue from ordinary activities	**409,648**
Cost of sales	**(257,210)**
Employee benefits expense	**(77,061)**
Depreciation and amortisation expenses	**(7,156)**
Borrowing costs	**(2,366)**
Occupancy costs	**(7,971)**
Book value of assets sold	**(8,081)**
Communication costs	**(3,006)**
Recoverable amount write-down	**(2,252)**
Other expenses from ordinary activities	**(29,534)**
Profit from ordinary activities before income tax expense	**15,011**
Income tax expense	**(5,090)**
Profit from ordinary activities after income tax expense	**9,921**
Net loss attributable to outside equity interest[1]	**159**
Net profit attributable to members of Coventry Group Ltd	**10,080**
Net decrease in retained profits on the initial adoption of revised AASB 1028 "Employee Benefits"	**(163)**
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd recognised directly in equity	**(163)**
Total changes in equity other than those resulting from transactions with owners as owners	**9,917**

[1] Relates to the period prior to the parent entity having full ownership of Coventry Auto Parts Pty Ltd.

Notes to and forming part of the financial statements for the year ended 30 June 2003

34 DEED OF CROSS GUARANTEE (continued)

(b) Statement of financial position

	2003 $000
Current assets	
Cash assets	5,715
Receivables	61,054
Inventories	73,451
Other assets	1,111
Total current assets	141,331
Non-current assets	
Other financial assets	9,542
Property, plant and equipment	55,301
Tax assets	4,507
Intangible assets	17,565
Total non-current assets	86,915
Total assets	228,246
Current liabilities	
Payables	40,342
Interest-bearing liabilities	22
Tax liabilities	1,720
Provisions	1,454
Total current liabilities	43,538
Non-current liabilities	
Interest-bearing liabilities	27,553
Provisions	2,593
Other liabilities	37
Total non-current liabilities	30,183
Total liabilities	73,721
Net assets	154,525
Equity	
Contributed equity	90,402
Reserves	31,939
Retained profits	32,184
Total equity	154,525

(c) Retained profits

	2003 $000
Retained profits at the beginning of the financial year	27,058
Adjustment resulting from initial adoption of	
- revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	4,053
- revised AASB 1028 "Employee Benefits"	(163)
Net profit	10,080
Dividends provided for or paid	(8,844)
Retained profits at end of financial year	32,184

Notes to and forming part of the financial statements for the year ended 30 June 2003

35 SEGMENT REPORTING

Industry Segments	Automotive Parts Distribution		Industrial Products Distribution		Bitumen Products	
	2003 $000	2002 $000	**2003 $000**	2002 $000	**2003 $000**	2002 $000
Sales to customers outside the consolidated entity	**226,947**	214,036	**164,038**	152,237	**13,642**	14,767
Intersegment sales	**697**	349	**1,272**	596	**-**	-
Other revenue	**3,635**	3,501	**4,793**	4,119	**103**	136
Total revenue	**231,279**	217,886	**170,103**	156,952	**13,745**	14,903
Segment net profit/(loss) before interest and tax	**3,411**[1]	20[2]	**13,823**	11,992	**1,566**	**2,271**
Net interest expense						
Net profit before tax						
Income tax expense						
Net profit after tax						
Segment assets	**115,483**	122,489	**88,724**	91,210	**7,071**	5,390
Unallocated assets						
Total assets						
Segment liabilities	**25,458**	21,588	**16,908**	17,005	**1,031**	942
Unallocated liabilities						
Total liabilities						
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	**2,625**	1,944	**2,186**	2,432	**2,735**	721
Depreciation and amortisation expense	**2,970**	2,945	**3,831**	3,891	**401**	512
Other non-cash expenses	**2,944**	428	**1,978**	314	**23**	(39)
Individually significant items						
Cost of closing Victorian activities of Coventry Auto Parts Pty Ltd	**-**	2,725	**-**	-	**-**	-
Recoverable amount write-down						
- distribution rights	**2,252**	-	**-**	-	**-**	-
- land and buildings	**-**	-	**-**	-	**-**	-
Profit on sale of land and buildings	**-**	-	**-**	-	**-**	-
Total significant items	**2,252**	2,725	**-**	-	**-**	-

[1] Includes trading losses (including amortisation of distribution rights) incurred by Coventry Auto Parts Pty Ltd of $5.84 million.
[2] Includes trading losses (including amortisation of distribution rights) incurred by Coventry Auto Parts Pty Ltd of $7.35 million.

Notes to and forming part of the financial statements for the year ended 30 June 2003

Gasket Manufacturing		Corporate		Other		Eliminations		Consolidated	
2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
$000	$000	**$000**	$000	**$000**	$000	**$000**	$000	**$000**	$000
10,918	13,436	**-**	-	**-**	-	**-**	-	**415,545**	394,476
1,616	1,363	**-**	-	**-**	-	**(3,585)**	(2,308)	**-**	-
100	95	**11,158**	2,049	**-**	-	**-**	-	**19,789**	9,900
12,634	14,894	**11,158**	2,049	**-**	-	**(3,585)**	(2,308)	**435,334**	404,376
1,236	2,042	**(1,306)**	(3,644)	**-**	(1)	**-**	-	**18,730**	12,680
								1,860	1,838
								16,870	10,842
								6,008	7,059
								10,862	3,783
9,592	12,020	**17,808**	15,338	**-**	-	**(822)**	(533)	**237,856**	245,914
								4,948	4,048
								242,804	249,962
996	1,697	**34,874**	49,870	**-**	-	**(819)**	(828)	**78,448**	90,274
								1,548	3,796
								79,996	94,070
390	517	**961**	1,098	**-**	-	**-**	-	**8,897**	6,712
414	397	**452**	407	**-**	-	**-**	-	**8,068**	8,152
26	38	**(180)**	1,228	**-**	-	**-**	**-**	**4,791**	1,969
-	-	**-**	-	**-**	-	**-**	-	**-**	2,725
-	-	**-**	-	**-**	-	**-**	-	**2,252**	-
-	-	**-**	836	**-**	-	**-**	-	**-**	836
-	-	**(2,346)**	(26)	**-**	-	**-**	-	**(2,346)**	(26)
-	-	**(2,346)**	810	**-**	-	**-**	-	**(94)**	3,535

Notes to and forming part of the financial statements for the year ended 30 June 2003

35 SEGMENT REPORTING (continued)

Products and services

The major products and services from which the above segments derive revenue are:

Industry Segment	**Products/Service**
Automotive Distribution	Automotive parts and accessories and mining and industrial consumables.
Industrial Products Distribution	Industrial and construction fasteners, bearings, power transmission products, lubrication products and systems, hoses and fittings and hydraulic fluid systems.
Bitumen Products	Asphalt manufacture and application, road profiling and manufacture and spraying of bituminous products.
Gasket Manufacturing	Manufacture and distribution of automotive and industrial gaskets.

Intersegment pricing is determined on an arm's length basis.

Geographical segments

The consolidated entity operates in a single geographical segment, being Australia/New Zealand.

36 SUPERANNUATION COMMITMENTS

The consolidated entity makes contributions to an accumulation style superannuation scheme for each employee. The contributions are in accordance with the Superannuation Guarantee legislation. Employees may also make additional voluntary contributions. Benefits are based on the balance of the member accounts at the time of leaving the schemes.

37 EVENTS SUBSEQUENT TO REPORTING DATE

A dividend has been declared since the end of the current period as described at note 9.

Directors' Declaration

1. In the opinion of the directors of Coventry Group Ltd ("the Company")
   (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, and:
      (i) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      (ii) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entity identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entity pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the directors.

W G Kent, AO
Chairman

C J Glenn
Managing Director

Perth
29 August 2003

Independent Auditor's Report

Scope

We have audited the financial report of Coventry Group Ltd and controlled entities for the financial year ended 30 June 2003 as set out on pages 23 to 63.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The names of the entities controlled during all or part of, or at the end of, the financial year, but of which we have not acted as auditors are AA Gaskets Pty Ltd, NZ Gaskets Ltd and Hylton Parker Fasteners Limited. We have, however, received sufficient information and explanations concerning those controlled entities to enable us to form an opinion on the consolidated accounts.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Coventry Group Ltd and controlled entities is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants

G F Brayshaw
Partner

Perth
29 August 2003

Shareholder Information as at 1 September 2003

TWENTY LARGEST SHAREHOLDERS

	Ordinary Shares	
Name	**Number**	**% of Total**
1. National Nominees Limited	3,121,543	9.04
2. RBC Global Services Australia Nominees Pty Limited (BK Cust A/C)	2,416,887	7.00
3. JP Morgan Nominees Australia Limited	1,821,316	5.28
4. Australian Foundation Investment Company Limited	1,650,000	4.78
5. Dorsett Investments Pty Ltd	1,524,446	4.42
6. Swanwall Holdings Pty Ltd	1,343,535	3.89
7. RBC Global Services Australia Nominees Pty Limited (PI Pooled A/C)	1,331,425	3.86
8. Westpac Custodian Nominees Limited	1,207,617	3.50
9. Anne Kyle	866,973	2.51
10. Devadius Pty Ltd	834,971	2.42
11. Permanent Trustee Australia Limited	706,402	2.05
12. Malcolm James McCusker	694,894	2.01
13. Argo Investments Limited	542,350	1.57
14. Milton Corporation Limited	499,999	1.45
15. ANZ Nominees Limited	328,091	0.95
16. Leah Jane Cohen	297,600	0.86
17. Geoffrey Michael Kyle	292,864	0.85
18. Citicorp Nominees Pty Limited	284,595	0.82
19. Gerald Harvey	257,886	0.75
20. Commonwealth Custodial Services Limited	238,778	0.69
	20,262,172	58.70

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders		Shares	
Size of Holding	**Number**	**%**	**Number**	**%**
1 to 1,000	1,144	33.34	537,821	1.56
1,001 to 5,000	1,722	50.19	4,269,287	12.37
5,001 to 10,000	320	9.33	2,298,012	6.66
10,001 to 100,000	212	6.18	5,183,266	15.01
100,001 and over	33	0.96	22,231,341	64.40
	3,431	100.00	34,519,727	100.00

There were 88 holders of less than a marketable parcel of shares.

Shareholder Information as at 1 September 2003

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 1 September 2003.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Paradice Cooper Investors Pty Ltd	3,289,665	16.01.03
Perpetual Trustees Australia Ltd	2,777,142	07.07.03
Investors Mutual Limited	2,648,904	29.05.03

VOTING RIGHTS

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

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

Investor Information

Annual General Meeting

The 67th Annual General Meeting of Coventry Group Ltd will be held at the Sheraton Perth Hotel (Ballroom North), 207 Adelaide Terrace, Perth, Western Australia on Wednesday, 5 November 2003, at 3.00 pm.

Shareholder Enquiries

Shareholders can obtain information about their shares or dividend payments by contacting the Company's share registry at:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St. George's Terrace
Perth Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033
Freecall: 1800 033 025

Electronic Payment of Dividends

Coventry Group Ltd encourages shareholders to receive their dividend payments by direct credit. Shareholders may nominate a bank, building society or credit union account for direct payment of the dividend. Payments are electronically credited on the dividend date and confirmed by mailed payment advice. Shareholders wishing to take advantage of payment by direct credit should contact the share registry to obtain an application form.

Change of Name/Address/Banking Details

Shareholders should notify the share registry in writing immediately there is a change of their name, registered address or change in banking particulars for direct credit of dividends.

Removal From Annual Report Mailing List

Shareholders who prefer not to receive the annual report or are receiving more than one copy at a household or business should advise the share registry in writing.

Dividend Reinvestment Plan

During the 2002/03 financial year, the Company reintroduced the dividend reinvestment plan (DRP). The DRP is a convenient method for shareholders to increase their shareholding by investing all or part of their dividend to acquire shares without incurring additional costs such as brokerage fees.

Currently the DRP applies a 2.5% discount to the market price calculated in accordance with the plan.

The DRP terms and conditions booklet and application forms are available from the share registry.

Stock Exchange Listing

The Company's shares are listed on the Australian Stock Exchange Limited and trade under the ASX code CYG.

Coventry Group Website

Information about Coventry Group Ltd is available on the internet at:

www.cgl.com.au

This website also contains the Company's latest annual and half yearly report to shareholders, recent announcements to the Australian Stock Exchange as well as selected corporate information.

The website also has a direct link to the share registry.

Corporate Directory

Coventry Group Ltd
ABN 37 008 670 102
Head and Registered Office
253 Walter Road
Morley Western Australia 6062
Telephone: (08) 9276 0222
Facsimile: (08) 9276 1666

Executive Directors
C J Glenn, Chief Executive Officer and Managing Director

Non-Executive Directors
W G Kent, AO, Chairman
B A Goddard, Deputy Chairman
R B Flynn
C M Kyle
P A Kyle, AM
R M McLean
B F Nazer

Associate Directors
D J Fraser, Group General Manager - Automotive
V Scidone, Group General Manager - Industrial

Chief Financial Officer
S A Cooper

Secretary
J Colli

Bankers
Westpac Banking Corporation

Auditor
BDO
267 St. George's Terrace
Perth Western Australia 6000

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

Principal Solicitors
Freehills
QV1 Building
250 St. George's Terrace
Perth Western Australia 6000

Mallesons Stephen Jaques
Central Park
152 St. George's Terrace
Perth Western Australia 6000

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

*KPMG has been appointed as the Company's new external auditor from 1 July 2003 subject to ASIC consent and shareholder approval at the 2003 Annual General Meeting.

Financial Calendar

2003

Shares trade ex-dividend	8 September
Record date for final dividend	12 September
Deadline for receipt of DRP election forms	12 September
Final dividend payable	25 September
Annual General Meeting	5 November
End of financial half-year	31 December

2004 (proposed)

Half Year Results and interim dividend announcement	3 March
Shares trade ex-dividend	11 March
Record date for interim dividend	17 March
Deadline for receipt of DRP election forms	17 March
Interim dividend payable	31 March
End of financial year	30 June
Year End Results and final dividend announcement	26 August
Shares trade ex-dividend	7 September
Record date for final dividend	13 September
Deadline for receipt of DRP election forms	13 September
Final dividend payable	24 September
Annual General Meeting	1 November