

COVENTRY GROUP LTD

ABN 37 008 670 102



ANNUAL REPORT

2007



FIVE YEAR FINANCIAL OVERVIEW

YEAR ENDED 30 JUNE		AIFRS ¹			AGAAP ¹		
		2007	2006	% Change	2005	2004	2003
Revenue from sale of goods	(\$M)	523.3	502.0	4.2 ▲	470.8	433.9	415.5
Profit before tax ²	(\$M)	1.9	14.7	87.1 ▼	24.1	21.9	16.9
(Loss)/Profit after tax ³	(\$M)	(1.2)	9.6	112.5 ▼	17.7	15.2	10.9
Net assets	(\$M)	168.1	166.4	1.0 ▲	168.5	169.9	162.8
Shareholders' equity ⁴	(\$M)	165.3	163.6	1.0 ▲	165.5	167.0	159.7
(Loss)/Earnings per share (basic)	(cents)	(3.8)	26.1	114.6 ▼	48.9	42.5	31.5
Dividends per share ⁵	(cents)	17	35	51.4 ▼	36	34	30
Net tangible assets per share	(\$)	3.21	3.11	3.2 ▲	3.75	4.15	3.98
Operating cash flow	(\$M)	10.0	2.1	376.2 ▲	12.5	20.2	22.4
Return on equity ⁶	(%)	8.0	8.1	1.2 ▼	8.7	8.9	6.6
Net interest bearing debt	(\$M)	75.5	76.4	1.2 ▼	14.0	12.5	23.3
Gearing (net debt to equity)	(%)	44.9	45.9	2.2 ▼	8.3	7.3	14.3
Interest cover	(times)	4.9	7.1	31.0 ▼	14.2	21.0	11.1
Share price (30 June)	(\$)	4.50	4.20	7.1 ▲	5.80	5.72	4.95
Market capitalisation (30 June)	(\$M)	177.3	151.0	17.4 ▲	205.7	200.7	170.9

¹ 2005 - 2007 results have been prepared under AIFRS and the 2003 & 2004 results have been prepared under AGAAP.

² before minority interest

³ after minority interest

⁴ excludes minority interest

⁵ excludes special dividends

⁶ before significant items

ABOUT COVENTRY GROUP

Coventry Group Ltd was incorporated in 1936 and has been listed on the Australian Stock Exchange since 1966 (ASX Code:CYG). We employ around 2,150 people and operate throughout Australia and New Zealand with a network of 141 branches.

The Group has three business units as follows:

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

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YEAR IN BRIEF

FINANCIAL

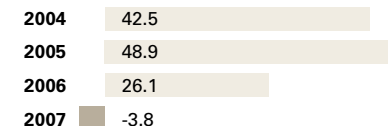
- Revenue up 4% to \$526.4 million
- Net loss for the year of \$1.2 million
- Earnings per share of (3.8) cents
- Normalised profit before interest and tax* of \$24.3 million
- Normalised profit after tax of \$13.4 million
- Normalised earnings per share of 35.0 cents
- Total dividends for the year of 17 cents per share fully franked

* normalised profit before interest and tax excludes gain on sale of bitumen business of \$3.0 million (2006 – nil), impairment and restructuring costs of \$9.6 million (2006 – \$3.4 million), write down of Company wide IT system and related expenses of \$10.4 million (2006 – nil), executive termination payment of \$0.5 million (2006 – nil) and non-cash acquisition adjustments for the prior year of \$1.4 million.

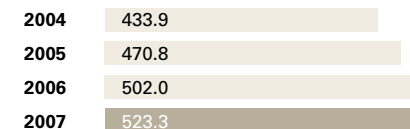
OPERATIONS

- Strong performance by the industrial business unit
- Mixed performance for the automotive business unit
- Tightly managed result for the gaskets subsidiary
- Sale of bitumen business to Downer EDI
- Sale and closure of the automotive business unit's operations in New South Wales
- Establishment of Cooper Fluids Systems as a discrete division of the industrial business unit
- Significant management restructure with the appointment of an Executive Chairman

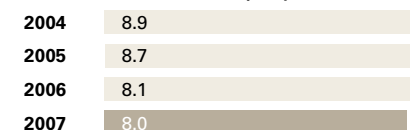
Basic earnings per share (cents)



Revenue (\$ million)



Return on equity (%)





OVERVIEW OF BUSINESS UNITS

INDUSTRIAL

PRINCIPAL ACTIVITIES

- distribution and marketing
 - industrial and construction fasteners including bolts, nuts and screws
 - general industrial products.
- distribution, design and installation of lubrication and hydraulics fluid systems, hose and fittings products.
- importation, distribution and marketing of hardware, components and finished products to the domestic and commercial furniture, cabinet making, joinery and shop fitting industries; office chair components.

YEAR IN BRIEF

- improved sales and profitability following a restructure of the business unit to form 3 specialist divisions.
- solid performance by the fastener divisions in WA, Queensland, New Zealand and Victoria due to buoyant market conditions.
- restructure of the fluids division with strong growth in WA.
- relocation of main fluids branch in Queensland and WA to new modern premises.
- improved performance by the cabinet and furniture hardware division.

FINANCIAL

	2007	2006	% Change
Sales (\$M)	258.6	218.1	+ 18.6
EBIT - normalised (\$M)	22.9	20.1	+ 13.9
EBIT/Sales Margin (%)	8.9	9.2	- 0.3
Capital Employed (\$M)	107.8	100.0	+ 7.8
Return on Capital Employed (%) ¹	21.2	20.1	+ 1.1

¹ EBIT/assets less creditors and provisions

Locations 86 (including 14 in NZ)

AUTOMOTIVE

PRINCIPAL ACTIVITIES

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

YEAR IN BRIEF

- disappointing overall trading performance contributed by losses from the South Australian division, Motor Traders, as a consequence of poor IT system implementation.
- WA division, Coventrys, achieved above budget results.
- ongoing review and restructure of the business unit.

FINANCIAL

	2007	2006	% Change
Sales (\$M)	242.0	261.6	- 7.5
EBIT – normalised (\$M)	1.3	1.5	- 13.3
EBIT/Sales Margin (%)	0.5	0.6	- 0.1
Capital Employed (\$M)	69.2	84.1	- 17.7
Return on Capital Employed (%) ¹	1.9	1.8	+ 0.1

¹ EBIT/assets less creditors and provisions

Locations 53

BITUMEN (Business sold on 29 June 2007)

PRINCIPAL ACTIVITIES

- manufacture and application of asphalt.
- road profiling and maintenance.
- manufacture and spraying of bituminous products for road construction and environmental protection.
- treatment of recreational and coloured surfaces.

YEAR IN BRIEF

- overall improvement in sales and profitability contributed by strong performance by Bitumen Emulsions spray and cover operations.
- Hot Mix trading results adversely impacted by rising oil prices and increased raw material costs.
- Hot Mix was successful in tendering for a number of key local council contracts.
- business sold to Downer EDI in June 2007.

FINANCIAL

	2007	2006	% Change
Sales (\$M)	17.3	17.0	+ 1.8
EBIT (\$M)	1.4	1.2	+ 16.7
EBIT/Sales Margin (%)	7.8	7.1	+ 0.7
Capital Employed (\$M)	5.8	5.7	+ 1.8
Return on Capital Employed (%) ¹	23.4	21.1	+2.3

¹ EBIT/assets less creditors and provisions

Locations 2

GASKETS

PRINCIPAL ACTIVITIES

- manufacture and distribution of automotive and industrial gaskets.

YEAR IN BRIEF

- industry restructuring impacted trading performance.
- ongoing improvements in production processes to contain costs.
- product range refinements.

FINANCIAL

	2007	2006	% Change
Sales (\$M)	11.1	11.4	- 2.6
EBIT (\$M)	1.2	1.5	- 2.0
EBIT/Sales Margin (%)	10.7	13.2	- 2.5
Capital Employed (\$M)	9.0	9.4	- 4.3
Return on Capital Employed (%) ¹	13.3	15.9	- 2.6

¹ EBIT/assets less creditors and provisions

Locations 2 (including 1 in NZ)



EXECUTIVE CHAIRMAN'S REPORT

Dear Shareholder

On behalf of your directors I present the Coventry Group's 2007 Annual Report.

FINANCIAL PERFORMANCE

The Group recorded a very unsatisfactory loss after tax of \$1.2 million compared to a profit of \$9.6 million for last year. However results in both years were adversely affected by materially significant items amounting to \$14.6 million in 2006/07 and \$3.8 million in 2005/06. These items are fully disclosed and discussed in the financial reports but they are of a non-recurrent nature.

On a comparable basis the consolidated net profit before interest, tax and materially significant items rose from \$22.8 million in 2005/06 to \$24.3 million in 2006/07 - a rise of 7%.

Overall the result was a mix of some strong and some unacceptably poor results. The Automotive business unit had a tough year with sales showing a slight decline (after adjusting for sales made in 2005/06 by the New South Wales

business) driven largely by problems encountered with the introduction of the Oracle based computer system into the Motor Traders business in South Australia. The divisions within the Industrial business unit performed well with a full year contribution from the now integrated Howard Silvers Hardware and Cornall divisions acquired during 2005/06 and strong performances particularly in divisions servicing resources and construction in Western Australia and Queensland. The results for the Gaskets business unit showed a decline due to a generally soft automotive market. The Bitumen business recorded a good result being 15% ahead of 2005/06 however the sale of this business was successfully completed in June 2007. Whilst the business had performed well it was believed that the market would become increasingly competitive and with the business occupying only a narrow position in the value chain and requiring significant future capital expenditure it was preferable to exit.

A satisfactory financial and operational outcome was secured via a sale to Downer EDI yielding a capital profit of \$3 million.

The progressive roll out of a new information technology platform across the Group continued but a significant hiatus was placed in the roll out due to the adverse impact encountered in the introduction of the Oracle based computer system into the Motor Traders business in South Australia. The delay was instituted until problems encountered had been resolved and the roll out recommenced in May 2007 with the plan to complete the roll out within the 2007/08 financial year. As the cumulative expenditure on this information technology platform had greatly exceeded the original budget estimate, the roll out had encountered significant delays/problems and substantial remedial work remained to be completed, management undertook a systematic review of the carrying value of the information technology platform and a write down of \$8.8 million was agreed to be appropriate.

EXECUTIVE CHAIRMAN'S REPORT

(CONTINUED)

GEARING AND CASH FLOW

The key data related to gearing and cash flow is shown in the following table:-

Year ended	30 June 2007	30 June 2006
Operating Cash Flow (\$M)	10.0	2.6
Net Interest Bearing Debt (\$M)	75.5	76.4
Net Debt/Equity (%)	44.9	45.9
Interest Cover (times)	4.9	7.1

The stronger generation of operating cash flow was acceptable although it is believed that further improvements can be generated from tighter control of inventories and receivables.

The much more modest improvement in net debt (\$0.9 million) was due to the on-going capital demands associated with the roll out of the information technology platform and the relocation to the new Redcliffe site in 2007/08.

DIVIDEND

An interim dividend of 17 cents per share fully franked was paid in March 2007. However, the directors determined that a final dividend not be paid for the year ended 30 June 2007. Careful

consideration was given to the views and expectations of all shareholders and balanced the near term desires with the long term interests of shareholders.

It is anticipated that a dividend will be paid in relation to the 2007/08 financial year results.

BOARD COMPOSITION

Following the Board's review of the Company's leadership and the appointment of an Executive Chairman, the Board has decided to reduce the number of directors to four. The maximum number of directors will be reviewed from time to time.

In accordance with the Company's constitution, one third of the non-executive directors must retire by rotation each year. As the longest serving director since last being re-elected, Mr Barry Nazer retires but is eligible for re-election at the forthcoming Annual General Meeting (AGM). He has put himself forward and is recommended by the remaining board members for re-election.

In accordance with agreed arrangements for the

phased retirement of directors, Mr Ross McLean retires at the 2007 AGM after serving on the Board for 12 years. The Board is currently undertaking a search for a suitable replacement to fill the vacancy created by Mr McLean's retirement.

On behalf of the continuing directors I want to record our thanks for the substantial and valued contribution Ross has made to the Company over 12 years.

OPERATIONS REVIEW

• Industrial Products Distribution

Revenue for the industrial products business unit increased 19% to \$258.6 million. Profit before interest and tax was up 14% on the prior year. Improved results from all three divisions contributed to the business unit's strong performance. The fasteners division achieved solid results particularly in Western Australia, Queensland, Victoria and New Zealand which operated in favourable trading conditions. Greenfield expansion with the opening of new branches in Newcastle (NSW) and Mandurah (WA) occurred during the year.



EXECUTIVE CHAIRMAN'S REPORT

(CONTINUED)

The fluids division was launched with a new business identity and performed very strongly in a buoyant resources sector. Cooper Fluids Systems opened a new branch in Kalgoorlie (WA) and relocated the key Brisbane and Perth branches to new modern premises. With a planned relocation of the Townsville (Queensland) branch and new branch to be established in South Australia, the business is well placed to continue its solid performance.

The cabinet and furniture hardware division achieved an improved result for the year. Integration of the Cornall and Howard Silvers Hardware across Australia has now been completed and trading on the new Oracle IT system. The business relocated to new premises at Huntingwood (New South Wales) as well as Mt Wellington (New Zealand). The acquisition of a small business in New Zealand – Furniture & Joinery Solutions occurred in September 2006. The division is well positioned to improve its market position.

• Automotive Parts Distribution

The business unit recorded a 7% decrease in revenue to \$242 million. Profit before interest

and tax was \$1.3 million – a drop of 13% on the prior year. The decline in revenue was principally attributable to the exit from New South Wales of automotive activities in September 2006, and the adverse impact of a poor IT implementation in the South Australian division – Motor Traders. Coventrys in Western Australia achieved a good, above budget result but was offset by disappointing losses in Queensland and South Australia. Independent Motor Mart, the Northern Territory division, contributed a small profit.

The South Australian business is only now starting to recover and with major changes in leadership there is potential for significant improvement across the business unit.

• Gasket Manufacturing

The Group's controlled entity, AA Gaskets Pty Ltd, recorded a consolidated profit before interest and tax of \$1.2 million compared to \$1.5 million for the prior year. Revenue decreased 3% to \$11.1 million. This was a satisfactory performance given the mature industry setting and the restructuring that has occurred within the industry.

The business is continuing to review and improve production processes with the view to attaining better cost efficiencies.

Recent initiatives are expected to consolidate its market position and a satisfactory result for the 2007/08 financial year is anticipated.

• Bitumen Products

A review of the bitumen products business was undertaken during the year which resulted in a decision to sell the business to Downer EDI. The review identified that the bitumen business was in a very competitive market and that it required significant capital investment to pursue growth opportunities. Consequently the Board considered that the business's future would be more assured with Downer EDI. The sale was completed on 29 June 2007.

For the year to 29 June 2007, the bitumen business recorded a profit before interest and tax of \$1.4 million compared to \$1.2 million for the prior year. Revenue increased 2% to \$17.3 million. The result was largely influenced by a strong performance by Bitumen Emulsion's spray and cover activities. Hot Mix's results



EXECUTIVE CHAIRMAN'S REPORT

(CONTINUED)

were adversely impacted by rising oil prices and increased raw material costs.

PEOPLE

Managing people in an increasingly competitive environment remains a key challenge for the Group. Implementing major projects across the businesses creates a great deal of change and our focus has been on supporting our people through this process.

A key Group focus is safety. Once again significant attention has been placed on improving safe work systems and communicating a message of safe practices in all aspects of our work environment. The Group continues to reduce compensation claims with a 22% reduction achieved for the period. Injury frequency remains below industry benchmarks. The Group will continue to build on the current improvements in safety in the future.

Staff turnover remains a major challenge for businesses in the current economic environment. The Group is currently experiencing high turnover as are other companies and has focused on developing practices that provide an

opportunity for employees to grow their experiences within the Group and be rewarded for successes.

At a senior level we have had significant changes in leadership over the last five months with replacement of the Chief Executive Officer, Chief Financial Officer, Chief Information Officer, General Manager Automotive and a number of divisional state managers. I am confident that these new people, combined with the continuing heads of our other business units (Industrial and Gaskets) and our other senior staff, gives us the best leadership group possible. It is a group I am proud to lead.

The Group continues to deliver development programs for employees related to skills and front line leadership, investing in the future benefits that such activities bring to the business. The implementation of the Oracle IT system has also been a key focus of training as the project continues to rollout across the businesses.

OUTLOOK AND INTENTIONS

The current financial year has started reasonably but overall it will involve more high costs

associated with our Western Australian relocation project and completion of our IT systems roll-out.

We plan to grow the Company organically where possible this year.

Beyond this financial year we expect more substantial growth and are open to organic and acquisitive growth where it is in the interests of our shareholders.

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

I want to record my thanks for the tireless contribution made by our large number of employees spread across New Zealand and Australia and also the support they receive from their families.

Roger B Flynn
Executive Chairman

BOARD OF DIRECTORS



Roger Baden Flynn B.Eng (Hons), MBA, FIE (Aust) Executive Chairman; Chairman of nomination committee, age 57

Mr Flynn was appointed a director of the Company in October 2001. He became Chairman in November 2006 following Mr Kent's retirement and in April 2007 Mr Flynn assumed the role of Executive Chairman of the Company. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is also a director of Hills Industries Limited. He is a former director of Watty! Limited, Longreach Group Ltd (formerly Hartec Ltd) and Ion Limited (Administrator Appointed) and has had 35 board years experience on 6 listed companies.

Other listed company directorships held during the past 3 financial years are Watty! Limited from 06.02.1997 to 31.12.2004, Hills Industries Limited from 23.11.1999 to current, Ion Limited (Administrator Appointed) from 16.08.2004 to 2005 and Longreach Group Ltd (formerly Hartec Limited) from 28.06.2000 to 02.09.2004.



Joseph Boros FCPA, FAICD Independent non-executive director; Member of the audit & risk committee and remuneration committee, age 62

Mr Boros was appointed a director of the Company in March 2004. He has had 40 years experience in the hardware and building industry in financial and general management roles. Mr Boros was Managing Director of the Alco Group when it was acquired by Bunnings in 1990 and was then appointed Managing Director of Bunnings Building Supplies to merge the two businesses. He was also appointed a Director of Bunnings Ltd, a listed public company at that time up until its acquisition by Wesfarmers.

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

Mr Boros is a former director of the Chamber of Commerce of Western Australia and was a representative of the Retail Shops Advisory Committee. He held no other listed company directorships during the past 3 financial years.



Ross Malcolm McLean AM B.Ec (Hons) Independent non-executive director; Chairman of remuneration committee; member of audit & risk committee and nomination committee, age 63

Mr McLean was appointed a director in 1995. He was Deputy Chief Executive of the Chamber of Commerce and Industry of Western Australia for 15 years until his retirement on 29 June 2007. He is also a director of Westscheme Pty Ltd, and a board member of the West Australian Cricket Association. Mr McLean's past experience includes as a director of the Australian Broadcasting Corporation, Chairman of the WA Government's Trade Advisory Council, a Member of the State Government Economic Strategies Council and the Senate of Murdoch University.

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



Barry Frederick Nazer BBUS, FCPA, FFin, ANZIIIF (Fellow), FAICD Independent non-executive director; Chairman of audit & risk committee; member of nomination committee, age 59

Mr Nazer was appointed as a director of the Company in September 2003. He is currently Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility. He is also a director of the M G Kailis Group.

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

Mr Nazer's past experience includes as a director of a public company involved in the development of treasury and risk management software for financial institutions and corporate treasuries and as a member of Curtin University's Business School Advisory Council.

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



FINANCIAL REPORT

For the year ended 30 June 2007

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DIRECTORS' REPORT

The directors present their report together with the financial statements of Coventry Group Ltd (the Company) and its controlled entities for the year ended 30 June 2007.

1. DIRECTORS

Information on Directors

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

Independent, non-executive directors

Joseph Boros

Warwick Gordon Kent, AO – Chairman (resigned 6 November 2006)

Ross Malcolm McLean, AM

Barry Frederick Nazer

Non-executive director

Clifford Maxwell Kyle (resigned 6 November 2006)

Executive directors

Roger Baden Flynn – Executive Chairman (appointed Chairman 7 November 2006; appointed Executive Chairman 11 April 2007)

Christopher James Glenn – Managing Director and Chief Executive Officer (resigned 11 April 2007)

Particulars of their qualifications, experience and special responsibilities are set out on page 9 of the Annual Report.

Directors' Interests

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
R B Flynn	32,146
J Boros	17,320
R M McLean	29,698
B F Nazer	26,182

During the 2006/07 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 C J Glenn, who had a service contract with the Company which entitled him to benefits and the right to shares in the Company as disclosed in the Remuneration Report section of this report; and
- Mr R B Flynn, who has a service contract with the Company which entitles him to benefits in the Company as disclosed in the Remuneration Report section of this report.



DIRECTORS' REPORT

(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 2007, and the number of meetings attended by each director.

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R B Flynn	14	14	2	2	1	1	2	2
J Boros	14	13	4	4	1	1	-	-
C J Glenn	10	10	-	-	-	-	-	-
W G Kent	5	5	-	-	1	1	1	1
C M Kyle	5	5	2	2	1	1	-	-
R M McLean	14	14	-	-	2	2	2	2
B F Nazer	14	14	4	3	-	-	1	1

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:

Automotive Parts

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

Industrial Products

- distribution and marketing of industrial and construction fasteners including bolts, nuts and screws; general industrial products.
- distribution, design and installation of lubrication and hydraulic fluid systems, hose and fittings products.
- importation, distribution and marketing of hardware, components and finished products to the domestic and commercial furniture, cabinet making, joinery and shop fitting industries; office chair components.

Bitumen Products ⁽ⁱ⁾

- manufacture and application of asphalt.
- road profiling and maintenance.
- manufacture and spraying of bituminous products for road construction and environmental protection.
- treatment of recreational and coloured surfaces.

(i) These activities have since ceased as the Company's bitumen business was sold on 29 June 2007.

DIRECTORS' REPORT

(continued)

2. PRINCIPAL ACTIVITIES (continued)

Gasket Manufacturing

- manufacture and distribution of automotive and industrial gaskets.

3. CONSOLIDATED RESULTS

Results of the consolidated entity for the year ended 30 June 2007 were as follows:

	2007 \$000	2006 \$000
Revenue from sale of goods	506,355	485,400
(Loss)/profit before tax	(2,433)	13,515
Income tax expense	(2,064)	(4,691)
(Loss)/profit from continuing operations for the year	(4,497)	8,824
Profit of discontinued operation (net of income tax)	3,335	817
(Loss)/profit for the year attributable to:		
– equity holders of the Company	(1,409)	9,337
– minority interest	247	304
(Loss)/profit for the year	(1,162)	9,641

4. DIVIDENDS

The directors have not declared a final dividend for the year ended 30 June 2007.

An interim dividend of 17 cents, fully franked, for each ordinary share was declared by the directors on 23 February 2007 and paid on 29 March 2007.

Accordingly for the year ended 30 June 2007 the total dividend on ordinary shares is 17 cents for each share.

For the year ended 30 June 2006 the final dividend of 17 cents for each ordinary share referred to in the Directors' Report dated 5 September 2006 was paid on 12 October 2006.

5. REVIEW OF OPERATIONS AND RESULTS

A review of the consolidated entity's operations for the financial year and the results of those operations are contained in pages 1 to 8 of the Annual Report and in particular in the Executive Chairman's report section.



DIRECTORS' REPORT

(continued)

6. EARNINGS PER SHARE

Basic (loss)/earnings per share for the year ended 30 June 2007 was (3.8) cents. This compares to 26.1 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. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

in future years.

9. LIKELY DEVELOPMENTS

The consolidated entity will continue to evaluate and look for opportunities to grow its business. It will actively pursue strategic acquisitions if they fit with the core business of the 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. REMUNERATION REPORT

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs) – audited

KMPs have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. The KMPs include the directors and the 5 highest paid executive officers (as referred to in Section 300A of the Corporations Act 2001) for the Company and the consolidated entity.

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.1 Key Management Personnel (KMPs) – audited (continued)

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

Non-executive directors

J Boros
W G Kent, AO – Chairman (resigned 6 November 2006)
C M Kyle (resigned 6 November 2006)
R M McLean, AM
B F Nazer

Executives

V Scidone, Group General Manager – Industrial
D J Beisley, Group General Manager – Automotive
S A Cooper, Chief Financial Officer (resigned 8 June 2007)
J S Furness, Chief Information Officer (resigned 28 June 2007)
J Colli, Company Secretary
A P Hockley, Chief Financial Officer (appointed 28 May 2007)
M Ridley, Chief Information Officer (appointed 29 May 2007)

Executive directors

R B Flynn (appointed Chairman 7 November 2006; appointed Executive Chairman 11 April 2007)
C J Glenn – Chief Executive Officer and Managing Director (resigned 11 April 2007)

10.2 Principles used to determine the nature and amount of compensation – audited

Non-executive directors

Fees paid to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Remuneration Committee. The Remuneration Committee also seeks the advice of independent remuneration consultants to ensure non-executive directors' fees are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparable roles in the external market. Non-executive directors do not receive any equity-based compensation.

Directors' fees

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



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

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

For the year ended 30 June 2007 the Board determined that non-executive directors fees be allocated as follows (does not include statutory superannuation contributions):

Chairman (base fee)	\$116,000
Non-executive Directors (base fee)	\$58,000
Interstate Non-executive Director (base fee)	\$69,000
Chairman of Audit & Risk Committee (in addition to base fee)	\$11,000
Chairman of Remuneration Committee (in addition to base fee)	\$8,300

Executive pay

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

- Base pay and benefits, including superannuation ("fixed annual compensation");
- Short-term performance incentives; and
- Long-term performance incentives.

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

During the reporting period, the Chairman of the board was appointed to an executive role. The total compensation of the Executive Chairman reflects the combination of duties fulfilled as Chairman of the Board and as Managing Director of the company.

Fixed annual compensation

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

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

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

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

Performance linked compensation

Short-term incentives

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

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

For the Executive Chairman, short term cash incentives of up to 35% of fixed annual compensation are payable for performance periods commencing from 1 July 2007. No short term incentives are payable for the 2006/07 financial year.

Long-term incentives

Long-term incentives are provided through the Company's executive long-term incentive plan ("ELTIP"), which was approved at the annual general meeting on 5 November 2003. It provides for eligible executives (up to 8, including the Managing Director) to receive fully paid ordinary shares in the Company, upon achieving performance criteria set by the Board. Under the plan, eligible executives are offered ordinary shares worth up to 25% of fixed annual compensation as at the start of the performance period, which will only vest upon the achievement of certain performance criteria.

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

Offers have been made in respect of the 3 year performance period commencing on 1 July 2003 ("the 2003 Offer"), on 1 July 2004 ("the 2004 Offer"), on 1 July 2005 ("the 2005 Offer") and on 1 July 2006 ("the 2006 Offer").

The performance criteria for the 2003, 2004, 2005 and 2006 Offers under the ELTIP are as follows:

- One half of the offered shares will vest to the participant upon the achievement of a threshold earnings per share ("EPS") growth hurdle over the relevant 3 year performance period. The offered shares will be vested in differing amounts depending on the percentage growth in EPS in excess of the threshold level over the 3 year period being cumulative \$1.269 EPS for the 2003 Offer, cumulative \$1.548 EPS for the 2004 Offer, cumulative \$1.675 for the 2005 Offer and cumulative \$1.260 for the 2006 Offer with all of the offered shares under these hurdles vested once an additional 10% growth in EPS over and above the threshold levels has been achieved; and



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

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

- One half of the offered shares for the 2003 and 2004 Offers will vest to the participant upon the achievement of a relative total shareholder return ("TSR") hurdle over the relevant 3 year performance period. The offered shares will be vested in differing amounts depending on the Company's TSR performance over the relevant 3 year performance period compared to the TSR performance of the companies comprising the S&P/ASX Small Industrials Index at the start of the relevant performance period ("Comparator Group"). No offered shares, under this hurdle, will vest under the 2003 and 2004 Offers unless the Company's TSR performance is at least equal to the TSR performance of the company which is at the 50th percentile of the Comparator Group ranked by TSR. All offered shares under this hurdle in the 2003 Offer will vest if the Company's TSR over the three years is equal to or greater than the TSR performance of the company which is at the 60th percentile of the Comparator Group ranked by TSR. All offered shares under this hurdle in the 2004 Offer will be vested if the Company's TSR over the three years is equal to or greater than the TSR performance of the company which is at the 75th percentile of the Comparator Group ranked by TSR.

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

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

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

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

During the reporting period, the 2003 Offer was assessed against the established performance hurdles. As the minimum criteria for both performance hurdles was not attained, all offers of shares under the 2003 Offer lapsed.

As at the date of this report, no specific arrangements for a long term incentive for the Executive Chairman have been approved by shareholders. However, it is intended to seek shareholder approval at the 2007 Annual General meeting for a long term incentive for the Executive Chairman.

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

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

Consequences of performance on shareholders wealth

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

	2007 \$	2006 \$	2005 \$	2004 \$	2003 \$
(Loss)/profit attributable to equity holders of the Company	(1,409,000)	9,337,000	16,556,000	14,800,000	10,767,000
Dividends paid	12,489,000	23,510,000	12,704,000	11,091,000	8,844,000
Change in share price	0.30	(1.60)	0.08	0.77	1.48

Profit is considered as one of the financial performance targets in setting the short-term incentives. The profit amounts for years 2003 to 2005 were calculated in accordance with previous Australian GAAP. The profit/loss amounts for 2006 and 2007 have been calculated in accordance with Australian equivalents to IFRS (AIFRS). Dividends and changes in share price are included in the TSR calculation which is one of the performance criteria assessed for the long-term incentives. For the 2005 Offer for the long-term incentives, return on equity has been used as one of the performance criteria as it is considered to be consistent with growth in shareholder wealth. The other performance criteria assessed for the LTI is growth in earnings per share, which again takes into account the consolidated entity's profit.



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.3 Details of compensation – audited

The following table provides the details of the nature and amount of elements of compensation for the directors and the key management personnel of the Company and the consolidated entity for the year ended 30 June 2007.

Key management personnel of Coventry Group Ltd

	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Share-based Payment			
<i>Name</i>	Cash Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	Super-annuation ⁽ⁱ⁾ \$	Long Service Leave Provision \$	Value of ELTIP Shares \$	Termination Benefits \$	Total \$	Proportion of Compensation Performance Related %
Non-executive Directors									
J Boros	58,000	-	-	5,220	-	-	-	63,220	-
WG Kent ⁽ⁱⁱ⁾	40,759	-	-	3,668	-	-	-	44,427	-
CM Kyle ⁽ⁱⁱ⁾	20,379	-	-	1,834	-	-	-	22,213	-
RM McLean	-	-	-	72,267	-	-	-	72,267	-
BF Nazer	-	-	-	75,319	-	-	-	75,319	-
Total	119,138	-	-	158,308	-	-	-	277,446	-
Executive Directors									
RB Flynn ⁽ⁱⁱⁱ⁾	164,735	-	-	100,000	469	-	-	265,204	-
CJ Glenn ^(iv)	406,889	2,000	12,840	37,527	(2,825)	15,566	467,077	939,074	1.9
Total	571,624	2,000	12,840	137,527	(2,356)	15,566	467,077	1,204,278	-

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.3 Details of compensation – audited (continued)

	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Share-based Payment			
Name	Cash Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	Super-annuation ⁽ⁱ⁾ \$	Long Service Leave Provision \$	Value of ELTIP Shares \$	Termination Benefits \$	Total \$	Proportion of Compensation Performance Related %
<i>Other key management personnel of the Company and consolidated entity</i>									
V Scidone	319,868	64,475	27,259	29,500	24,384	24,493	-	489,979	18.2
DJ Beisley	281,044	16,100	11,834	24,392	596	9,972	-	343,938	7.6
SA Cooper ^(v)	248,600	75	17,006	24,654	(17,528)	7,082	-	279,889	2.6
JS Furness ^(vi)	185,128	13,892	38,169	17,041	(411)	6,523	33,000	293,342	7.0
J Colli	158,027	14,196	11,248	14,488	10,755	12,915	-	221,629	12.2
AP Hockley ^(vii)	7,272	-	-	23,481	196	-	-	30,949	-
M Ridley ^(viii)	20,035	-	-	1,607	143	-	-	21,785	-
Total	1,219,974	108,738	105,516	135,163	18,135	60,985	33,000	1,681,511	-
<i>Total compensation key management personnel (Company and consolidated entity)</i>	1,910,736	110,738	118,356	430,998	15,779	76,551	500,077	3,163,235	-

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

- (i) Includes statutory superannuation contributions and additional voluntary contributions in some cases.
- (ii) Resigned 6 November 2006.
- (iii) Appointed Chairman 7 November 2006; appointed Executive Chairman 11 April 2007.

- (iv) Resigned as Managing Director 11 April 2007.
- (v) Resigned 8 June 2007.
- (vi) Resigned 28 June 2007.
- (vii) Appointed 28 May 2007.
- (viii) Appointed 29 May 2007.



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.3 Details of compensation – audited (continued)

The following table provides the details of the nature and amount of elements of compensation for the directors and the key management personnel of the Company and the consolidated entity for the year ended 30 June 2006.

Key management personnel of Coventry Group Ltd

	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Share-based Payment		
<i>Name</i>	Cash Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	Super-annuation ⁽ⁱ⁾ \$	Long Service Leave Provision \$	Value of ELTIP Shares \$	Total \$	Proportion of Compensation Performance Related %
<i>Non-executive Directors</i>								
WG Kent (Chairman)	110,250	-	-	4,961	-	-	115,211	-
J Boros	54,600	-	-	4,914	-	-	59,514	-
RB Flynn	53,648	-	-	17,883	-	-	71,531	-
CM Kyle	54,600	-	-	4,914	-	-	59,514	-
P Kyle ⁽ⁱⁱⁱ⁾	19,484	-	-	1,754	-	-	21,238	-
RM McLean	15,619	-	-	52,479	-	-	68,098	-
BF Nazer	48,825	-	-	22,134	-	-	70,959	-
Total	357,026	-	-	109,039	-	-	466,065	-
<i>Executive Director</i>								
CJ Glenn	458,018	12,100	31,528	43,013	1,844	71,091	617,594	13.5

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.3 Details of compensation – audited (continued)

Key management personnel of Coventry Group Ltd (continued)

	Short-term Benefits			Post Employment Benefits	Other Long-term Benefits	Share-based Payment		
Name	Cash Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	Super-annuation ⁽ⁱ⁾ \$	Long Service Leave Provision \$	Value of ELTIP Shares \$	Total \$	Proportion of Compensation Performance Related %
<i>Other key management personnel of the Company and consolidated entity</i>								
V Scidone	322,193	14,191	28,569	28,275	14,038	43,113	450,379	12.7
DJ Beisley ⁽ⁱⁱⁱ⁾	232,450	-	4,362	19,921	194	-	256,927	-
SA Cooper	204,789	8,704	17,667	19,799	7,626	30,130	288,715	13.5
JS Furness	180,110	13,877	38,100	17,497	154	27,748	277,486	15.0
J Colli	152,971	2,204	12,087	14,365	5,519	23,622	210,768	12.3
Total	1,092,513	38,976	100,785	99,857	27,531	124,613	1,484,275	-
Total compensation key management personnel (Company and consolidated entity)	1,907,557	51,076	132,313	251,909	29,375	195,704	2,567,934	-

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

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

(ii) resigned 8 November 2005.

(iii) appointed 31 August 2005.



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.4 Value of Shares – audited

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

Grant date	Expiry date	Fair value per share	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
1 July 2003	30 June 2006	\$3.96	\$0.01	\$4.95	24%	5.7%	7.4%
1 July 2004	30 June 2007	\$4.71	\$0.01	\$5.72	24%	5.4%	6.4%
26 June 2006	30 June 2008	\$3.52	\$0.01	\$4.20	25%	5.1%	8.6%
3 October 2006	30 June 2009	\$3.41	\$0.01	\$4.26	23%	5.8%	7.4%

10.5 Analysis of bonuses included in compensation – unaudited

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

	Short-term Incentive Cash Bonus		
	Included in compensation	% vested in year	% forfeited in year
<i>Executive Directors</i>			
RB Flynn	-	-	-
CJ Glenn	2,000 ⁽ⁱ⁾	1	99
<i>Other key management personnel of the consolidated entity</i>			
V Scidone	64,475 ⁽ⁱⁱ⁾	70	30
DJ Beisley	16,100 ⁽ⁱⁱ⁾	20	80
SA Cooper	75 ⁽ⁱ⁾	-	100
JS Furness	13,892 ⁽ⁱⁱ⁾	25	75
J Colli	14,196 ⁽ⁱⁱ⁾	30	70
AP Hockley	-	-	-
M Ridley	-	-	-

(i) these amounts represent the difference between the accrual and actual payment made for the year ended 30 June 2006.

(ii) these amounts have been accrued for the year ended 30 June 2007. The actual short-term incentive bonus paid may differ as determined by the Remuneration Committee.

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.6 Employment contracts - audited

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

RB Flynn, Executive Chairman (appointed 11 April 2007)

- The contract has no fixed term.
- Commencing fixed annual compensation is \$720,000 to be reviewed annually by the Board.
- Subject to the achievement of key performance indicators, an annual short-term incentive of up to 35% of fixed annual compensation will be paid by the Company. No short-term incentive is payable for the 2006/07 financial year.
- Whilst the contract provides for a long-term incentive, as at the date of this report, no specific scheme has been agreed.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Other than for an act that may have a serious detrimental effect on the Company, such as wilful disobedience, fraud or misconduct, termination of employment requires 12 months notice by the Company. In the event that the Company no longer requires Mr Flynn to report directly to the Board or if the Company no longer requires Mr Flynn to carry out the normal functions of Managing Director, the Company must pay the equivalent of the fixed annual compensation as a redundancy payment.

V Scidone, Group General Manager – Industrial

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

DJ Beisley, Group General Manager – Automotive

- Initial contract for a fixed term; 31 August 2005 to 31 December 2005 (subsequently extended to 31 July 2006) for the position of Business Consultant to the Company's Automotive Business Unit.
- New contract commenced 1 August 2006 for the position of Group General Manager – Automotive with the following key provisions:
 - Long service leave is payable by the Company in accordance with relevant state legislation.
 - Participation in short-term incentive plan is at the discretion of the Company.
 - Other than for serious misconduct, termination of employment requires 4 weeks notice by the Company.
- The contract to be reviewed on 30 June 2007. (As at the date of this report the contract has not been reviewed as Mr Beisley has notified the Company of his intention to resign effective from 14 September 2007).



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.6 Employment contracts - audited (continued)

J Colli, Company Secretary

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

AP Hockley, Chief Financial Officer (appointed 28 May 2007)

- The contract has no fixed term.
- Commencing fixed annual compensation is \$300,000 to be reviewed annually by the Remuneration Committee. The Company will also pay up to \$30,000 for relocation costs.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 26 weeks notice if the termination occurs prior to 1 July 2008. Thereafter 12 weeks notice by the Company is required. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

M Ridley, Chief Information Officer (appointed 29 May 2007)

- The contract has no fixed term.
- Commencing fixed annual compensation is \$220,000 to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 12 weeks notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

CJ Glenn, Managing Director (resigned 11 April 2007)

- The contract had no fixed term.
- Fixed annual compensation to be reviewed annually by the Board. The Company also pays for home telephone expenses.
- Subject to the achievement of agreed key performance indicators, an annual short-term incentive of up to 35% of base salary would be paid by the Company.
- For each financial year up to and including the year ended 30 June 2006, subject to the achievement of certain performance criteria over a 3 year period, a long-term incentive of a minimum of 25% of fixed annual compensation would be paid by the Company in the form of shares. From 1 July 2006, and as approved by shareholders at the 2006 Annual General Meeting, the long-term incentive was amended to 35% of fixed annual compensation.

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.6 Employment contracts - audited (continued)

- Long service leave was payable by the Company in accordance with relevant state legislation.
- Other than for an act that may have a serious detrimental effect on the Company, such as wilful disobedience, fraud or misconduct, termination of employment required 12 months notice by the Company.

SA Cooper, Chief Financial Officer (resigned 8 June 2007)

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

JS Furness, Chief Information Officer (resigned 28 June 2007)

- The contract had no fixed term.
- Fixed annual compensation to be reviewed annually by the Remuneration Committee.
- Long service leave was payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans was at the discretion of the Company.
- Other than for serious misconduct, termination of employment required 6 months notice by the Company. In the event of redundancy, the Company must pay an additional 4 weeks pay after 1 year of continuous service, with the redundancy payment obligation increasing progressively for each year of service up to a maximum of 52 weeks pay.



DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.7 Rights over shares granted as compensation - audited

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

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

(i) 2006 Offer approved at the 2006 Annual General Meeting.

(ii) 2003 Offer lapsed as none of the performance hurdles were achieved.

(iii) 2004, 2005 and 2006 Offers forfeited due to resignations of Messrs Glenn, Cooper and Furness during the reporting period.

The grant date, the fair value at grant date and expiry date of the rights over shares are shown at item 10.4 of the remuneration report.

	Held at 1 July 2005	Granted as compensation	Vested during the year	Held at 30 June 2006
<i>Executive Director</i>				
CJ Glenn	102,113	22,553	-	124,666
<i>Other key management personnel of the consolidated entity</i>				
V Scidone	60,899	14,974	-	75,873
DJ Beisley	-	-	-	-
SA Cooper	42,629	10,456	-	53,085
JS Furness	39,406	9,380	-	48,786
J Colli	33,559	7,960	-	41,519

For the year ended 30 June 2006 there were no rights over shares that lapsed or that were forfeited.

There were no rights over equity instruments held by non-executive directors as at 30 June 2007 and 30 June 2006.

DIRECTORS' REPORT

(continued)

10. REMUNERATION REPORT (continued)

10.8 Analysis of rights over shares granted as compensation - unaudited

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

	Rights Granted as Compensation Value at Grant Date ⁽ⁱ⁾ \$	Value of Rights Vested \$	Value of Rights Lapsed ⁽ⁱⁱ⁾ \$	Value of Rights Forfeited ⁽ⁱⁱⁱ⁾ \$	Value Included as Compensation ^(iv) \$	% of Total Compensation that Consists of Rights
<i>Executive Directors</i>						
RB Flynn	-	-	-	-	-	-
CJ Glenn	159,431	-	317,121	342,587	15,566	1.7
<i>Other key management personnel of the consolidated entity</i>						
V Scidone	75,930	-	182,493	-	24,493	5.0
DJ Beisley	66,481	-	-	-	9,972	2.9
SA Cooper	57,414	-	129,116	141,432	7,082	2.5
JS Furness	46,390	-	119,485	122,895	6,523	2.2
J Colli	39,641	-	101,685	-	12,915	5.8
AP Hockley	-	-	-	-	-	-
M Ridley	-	-	-	-	-	-

(i) value of 3.41 per right calculated in accordance with item 10.4 of the remuneration report.

(ii) 2003 Offer lapsed as none of the performance hurdles were achieved. Value of \$3.96 per right calculated in accordance with item 10.4 of the remuneration report.

(iii) 2004, 2005 and 2006 Offers forfeited due to resignations of Messrs Glenn, Cooper and Furness. Values of \$4.21, \$3.52 and \$3.41 per right respectively calculated in accordance with item 10.4 of the remuneration report.

(iv) for rights subject to internal performance hurdles the value included as compensation takes into account the probability of achieving those hurdles as at balance date.

The number of rights over shares to which the above values relate are shown at item 10.7 of the remuneration report.



DIRECTORS' REPORT

(continued)

11. ENVIRONMENTAL REGULATION

The consolidated entity was subject to environmental regulation in respect of its bitumen and asphalt manufacturing activities. The Company's bitumen business unit which had two divisions and traded as Hot Mix and Bitumen Emulsions was sold on 29 June 2007.

The Company's Hot Mix division procured asphalt in accordance with an agreement entered into with Works Emoleum (which is part of the Downer EDI Group). Under the agreement, an asphalt production sharing facility had been established at Rinker Group Ltd's Gosnells quarry. The relevant EPA licence for the Gosnells site is held by Works Emoleum.

The Hot Mix and Bitumen Emulsions divisions also complied with the dangerous goods code. Accordingly, the divisions had an ongoing programme for the licensing and inspection of their transport vehicles for the carriage of dangerous goods. Both divisions held and complied with a licence issued by the Department of Minerals and Energy in Western Australia in relation to the storage of bituminous products. The two divisions had procedures and systems to ensure compliance with environmental regulations which were regularly reviewed.

During the financial year the Contaminated Sites Act 2003 came into operation in Western Australia. In accordance with this legislation the Company has lodged a suspected contaminated site report to the Department of Environment and Conservation. The report relates to two adjoining freehold properties owned by the Company on which the bitumen divisions operated prior to their divestment.

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

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

For the financial year ended 30 June 2007 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. CORPORATE GOVERNANCE

The Statement of Corporate Governance Practices as disclosed on pages 33 to 43 of the Annual Report sets out the Company's main corporate governance practices throughout the financial year and as at the date of this report.

DIRECTORS' REPORT

(continued)

14. OPTIONS

The Company has not issued any options over unissued shares.

15. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, provided non-audit services to the consolidated entity for fees totalling \$10,000. The non-audit services related to work undertaken to review the transition to the new Oracle IT platform.

In accordance with advice from the Company's Audit & Risk Committee, the directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Also in accordance with advice from the Company's Audit & Risk Committee, the directors are satisfied that the provision of non-audit services during the year did not compromise the auditor independence requirement of the Corporations Act 2001 because:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out by regulatory bodies; and
- the nature of the non-audit services provided is consistent with the policy adopted by the Company for the provision of non-audit services by the external auditor.

Details of fees paid to the Company's auditor, KPMG, for statutory audit services are set out in Note 5 to the financial statements.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 106 of the Annual Report and forms part of this report.

17. COMPANY SECRETARY

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



DIRECTORS' REPORT

(continued)

18. ROUNDING OFF

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

Signed in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read 'R B Flynn', with a horizontal line underneath.

R B Flynn
Executive Chairman

Perth
24 August 2007

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

This statement is dated 24 August 2007 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2006/07 financial year and as at the date of this statement. If the practices have not been in place for the entire year, that is stated.

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

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

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

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

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

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

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

1. ROLE OF THE BOARD AND MANAGEMENT

ASXCGC Principle 1

Lay solid foundations for management and oversight.

ASXCGC Recommendation 1.1

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

CGL Practice

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

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

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

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

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



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

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

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

2. COMPOSITION OF THE BOARD

ASXCGC Principle 2

Structure the Board to add value.

ASXCGC Recommendation 2.1

A majority of the Board should be independent directors.

CGL Practice

The Board presently consists of 4 directors. 3 directors are non-executive directors and considered to be independent. The names of the directors of the Company as at the date of this statement are set out on page 11 of the Annual Report.

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

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

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

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

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

During the 2006/07 financial year a number of changes to the composition of the Board occurred.

At the conclusion of the 2006 Annual General Meeting, Messrs W G Kent and C M Kyle retired from the Board in accordance with Company policy.

On 11 April 2007, Mr C J Glenn resigned as Chief Executive Officer and Managing Director of the Company and Mr R B Flynn was appointed Executive Chairman from that date. The Board also determined, in accordance with the Company’s constitution, to set the maximum number of directors of the Company at 4. This number will be reviewed by the Board from time to time.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

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

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

The Board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience as outlined on page 9 of the Annual Report.

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

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

ASXCGC Recommendation 2.2

The Chairperson should be an independent director.

CGL Practice

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

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

ASXCGC Recommendation 2.3

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

CGL Practice

With the appointment of Mr R B Flynn as Executive Chairman on 11 April 2007 the roles of Chairperson and the Chief Executive Officer are exercised by the same person. Accordingly the Company does not comply with this recommendation.

Refer to comments for CGL Practice under ASXCGC Recommendation 2.2.

ASXCGC Recommendation 2.4

The Board should establish a Nomination Committee.

CGL Practice

The Board has established a Nomination Committee.



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

The members of the Nomination Committee are:

- W G Kent, independent non-executive director (Chairman/member until 06.11.06)
- R B Flynn, Executive Chairman (appointed Chairman on 07.11.06)
- R M McLean, independent non-executive director
- B F Nazer, independent non-executive director (appointed a member on 29.06.07).

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

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

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

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

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

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

ASXCGC Principle 3

Promote ethical and responsible decision-making.

ASXCGC Recommendation 3.1

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

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

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

CGL Practice

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

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

ASXCGC Recommendation 3.2

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

CGL Practice

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

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

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

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

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

4. INTEGRITY OF FINANCIAL REPORTING

ASXCGC Principle 4

Safeguard integrity in financial reporting.

ASXCGC Recommendation 4.1

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

CGL Practice

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

ASXCGC Recommendation 4.2

The Board should establish an Audit Committee.

CGL Practice

The Board has established an Audit & Risk Committee.

ASXCGC Recommendation 4.3

Structure the Audit Committee so that it consists of:

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



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

CGL Practice

The members of the Audit & Risk Committee are:

- B F Nazer (Chairman), independent non-executive director
- J Boros, independent non-executive director
- C M Kyle, non-executive director (member until 06.11.06)
- R B Flynn, Executive Chairman (member from 07.11.06 to 29.06.07)
- R M McLean, independent non-executive director (appointed a member on 29.06.07).

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

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

Details of the experience of the members of the Committee are set out on page 9 of the Annual Report and indicate that each is suitably qualified to be a member of the Audit & Risk Committee.

ASXCGC Recommendation 4.4

The Audit Committee should have a formal charter.

CGL Practice

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

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

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

5. CONTINUOUS DISCLOSURE TO ASX

ASXCGC Principle 5

Make a timely and balanced disclosure.

ASXCGC Recommendation 5.1

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

CGL Practice

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

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

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

6. COMMUNICATION WITH SHAREHOLDERS

ASXCGC Principle 6

Respect the rights of shareholders.

ASXCGC Recommendation 6.1

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

CGL Practice

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

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

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

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

ASXCGC Recommendation 6.2

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

CGL Practice

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

7. RISK MANAGEMENT

ASXCGC Principle 7

Recognise and manage risk.

ASXCGC Recommendation 7.1

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



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

CGL Practice

The Board has overall responsibility for the oversight of the Group's risk management and control framework. The Audit & Risk Committee assists the Board in fulfilling its responsibilities in this regard and its charter includes oversight of risk management. The Company also has an Executive Risk Committee (ERC) which comprises the Chief Financial Officer (Chairman), Chief Executive Officer and Company Secretary, with the internal auditor attending as an observer. The ERC meets as required and reports directly to the Audit & Risk Committee. It has a formal charter and its main function is to ensure areas of Group risk are being monitored and appropriate actions implemented where necessary and that the Board is regularly informed of key risk issues.

The Group has established risk registers covering corporate activities as well as registers for the respective business units – automotive, industrial, gaskets manufacturing and bitumen. The basis of the registers was a whole of business review conducted with the assistance of external consultants. The registers are reviewed periodically to ensure risks are added, modified or deleted as appropriate. The registers cover risks such as operational, information technology, compliance, financial, occupational health and safety, strategic, business continuity planning, environmental and ethical conduct.

Ratings have been applied to the various identified risks and responsibility for monitoring and amelioration has been designated to senior managers. The risk registers are reviewed annually by the Audit & Risk Committee.

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

ASXCGC Recommendation 7.2

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

- 7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CGL Practice

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

- (i) the statement given in accordance with Council's best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (ii) the Company's risk management and internal compliance and control framework is mostly operating efficiently and effectively in all material respects and where not so operating, is being brought into compliance.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

8. ENHANCEMENT OF PERFORMANCE

ASXCGC Principle 8

Encourage enhanced performance.

ASXCGC Recommendation 8.1

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

CGL Practice

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

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

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

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

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

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

9. REMUNERATION

ASXCGC Principle 9

Remunerate fairly and responsibly.

ASXCGC Recommendation 9.1

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

- (i) the costs and benefits of those policies; and
- (ii) the link between remuneration paid to directors and key executives and corporate performance.

CGL Practice

The Company's policies relating to the Directors' and senior executives' remuneration and the level of their remuneration are set out in the Remuneration Report on pages 14 to 29 of the Annual Report.

ASXCGC Recommendation 9.2

The Board to establish a Remuneration Committee.



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

CGL Practice

The Board has established a Remuneration Committee.

The members of the Remuneration Committee are:

- R M McLean (Chairman), independent non-executive director
- R B Flynn, independent non-executive director (member until 07.11.07)
- W G Kent, independent non-executive director (member until 06.11.06)
- J Boros, independent non-executive director (appointed a member on 07.11.06).

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

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

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

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

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

ASXCGC Recommendation 9.3

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

CGL Practice

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

The aggregate amount payable to non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders at the Annual General Meeting. Further details of non-executive directors' remuneration are contained in the Remuneration Report on pages 14 to 29 of the Annual Report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the Remuneration Report on pages 14 to 29 of the Annual Report.

ASXCGC Recommendation 9.4

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(continued)

CGL Practice

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

The Chief Executive Officer's Long Term Incentive Plan and the Executive Long Term Incentive Plan were both approved by shareholders at the 2003 Annual General Meeting.

The former Chief Executive Officer, Mr C J Glenn, who resigned on 11 April 2007, had his revised long term incentive arrangements refreshed and approved at the 2006 Annual General Meeting.

As at the date of this report, no specific arrangements for a long term incentive for the Executive Chairman have been approved by shareholders. However, it is intended to seek shareholder approval at the 2007 Annual General Meeting for a long term incentive for the Executive Chairman.

10. INTERESTS OF STAKEHOLDERS

ASXCGC Principle 10

Recognise the legitimate interests of stakeholders.

ASXCGC Recommendation 10.1

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

CGL Practice

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

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

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

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

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



INCOME STATEMENTS

For the year ended 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Revenue from sale of goods		506,355	485,400	467,334	435,269
Cost of sales		(310,019)	(304,708)	(289,203)	(276,242)
Gross profit		196,336	180,692	178,131	159,027
Other revenue		2,880	2,311	2,464	1,969
Other income	3	125	687	125	471
Employee benefits expense		(104,957)	(97,773)	(97,618)	(87,941)
Depreciation and amortisation expenses		(7,623)	(6,752)	(7,055)	(5,821)
Occupancy costs		(12,718)	(12,030)	(11,666)	(10,262)
Communication costs		(3,360)	(3,604)	(2,958)	(3,042)
Impairment, write off and restructuring costs		(17,592)	(3,426)	(17,592)	(4,546)
Other expenses		(50,570)	(43,345)	(45,998)	(37,050)
Profit/(loss) before financing costs		2,521	16,760	(2,167)	12,805
Financial income	6	240	523	1,765	2,898
Financial expenses	6	(5,194)	(3,768)	(4,873)	(3,398)
Net financing costs		(4,954)	(3,245)	(3,108)	(500)
(Loss)/profit before tax		(2,433)	13,515	(5,275)	12,305
Income tax expense	7	(2,064)	(4,691)	(751)	(3,562)
(Loss)/profit from continuing operations for the year		(4,497)	8,824	(6,026)	8,743
Discontinued operation					
Profit of discontinued operation (net of income tax)	25	3,335	817	3,335	817
(Loss)/profit for the year		(1,162)	9,641	(2,691)	9,560
Attributable to:					
Equity holders of the Company		(1,409)	9,337	(2,691)	9,560
Minority interest		247	304	-	-
(Loss)/profit for the year		(1,162)	9,641	(2,691)	9,560

INCOME STATEMENTS

For the year ended 30 June 2007 (continued)

<i>In thousands of AUD</i>	Note	Consolidated 2007	2006
Earnings per share:			
Basic (loss)/earnings per share:	8	(3.8) cents	26.1 cents
Diluted (loss)/earnings per share:	8	(3.7) cents	25.8 cents
Continuing operations			
Basic (loss)/earnings per share:		(12.6) cents	23.8 cents
Diluted (loss)/earnings per share:		(12.6) cents	23.5 cents
Dividends per share			
Ordinary shares	21	34.0 cents	36.0 cents

The income statements are to be read in conjunction with the accompanying notes to the financial statements.



STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Total equity at the beginning of the financial year		166,425	168,488	158,595	158,916
Adjustment to reserves, net of tax, on adoption of AASB 132 and AASB 139		-	(188)	-	(188)
Restated total equity at the beginning of the financial year		166,425	168,300	158,595	158,728
Changes in the fair value of cash flow hedges, net of tax	21	491	325	491	325
Exchange differences on translation of foreign operations		1,331	(1,401)	-	-
Net income recognised directly in equity (Loss)/profit for the year		1,822	(1,076)	491	325
		(1,162)	9,641	(2,691)	9,560
Total recognised income and expense for the year		660	8,565	(2,200)	9,885
Transactions with equity holders in their capacity as equity holders					
Contribution of equity		13,803	2,724	13,803	2,724
Changes in value of share based payments reserve		55	127	55	127
Dividends provided for or paid		(12,489)	(12,869)	(12,489)	(12,869)
Dividends paid to minority interests in controlled entities		(371)	(422)	-	-
		998	(10,440)	1,369	(10,018)
Total equity at the end of the financial year		168,083	166,425	157,764	158,595
Total recognised income and expense for the year is attributable to:					
Members of Coventry Group Ltd	21	369	8,310	(2,200)	9,885
Minority interest		291	255	-	-
		660	8,565	(2,200)	9,885

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

BALANCE SHEETS

As at 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Assets					
Cash and cash equivalents	9	2,356	2,493	178	184
Trade and other receivables	10	87,982	86,713	90,358	89,830
Inventories	11	105,354	100,706	93,482	90,863
Income tax receivable	12	1,082	151	1,005	-
Total current assets		196,774	190,063	185,023	180,877
Investments	13	-	-	9,542	9,542
Deferred tax assets	14	10,042	10,096	9,719	9,286
Property, plant and equipment	15	50,815	49,662	46,856	45,602
Intangible assets	16	39,024	51,847	27,523	41,425
Derivatives asset		914	210	914	210
Total non-current assets		100,795	111,815	94,554	106,065
Total assets		297,569	301,878	279,577	286,942
Liabilities					
Trade and other payables	17	36,977	39,726	33,943	37,253
Interest-bearing loans and borrowings	18	5,164	1,938	5,164	1,938
Employee benefits		10,944	10,917	10,444	10,494
Income tax payable	12	-	405	-	398
Provisions	20	572	2,069	572	2,069
Total current liabilities		53,657	55,055	50,123	52,152
Interest-bearing loans and borrowings	18	72,719	76,977	69,000	73,195
Employee benefits		3,110	3,406	2,690	2,985
Derivatives liability		-	15	-	15
Total non-current liabilities		75,829	80,398	71,690	76,195
Total liabilities		129,486	135,453	121,813	128,347
Net assets		168,083	166,425	157,764	158,595
Equity					
Issued capital	21	112,676	98,873	112,676	98,873
Reserves	21	24,667	22,738	24,241	23,599
Retained earnings	21	27,984	41,978	20,847	36,123
Total equity attributable to equity holders of the parent		165,327	163,589	157,764	158,595
Minority interest		2,756	2,836	-	-
Total equity		168,083	166,425	157,764	158,595

The balance sheets are to be read in conjunction with the accompanying notes to the financial statements.

COVENTRY GROUP LTD AND ITS CONTROLLED ENTITIES



STATEMENTS OF CASH FLOWS

For the year ended 30 June 2007

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Cash flows from operating activities					
Cash receipts from customers		589,849	555,465	546,610	500,547
Cash paid to suppliers and employees		(569,462)	(543,029)	(530,266)	(490,321)
Cash generated from operations		20,387	12,436	16,344	10,226
Interest paid		(5,163)	(4,372)	(4,842)	(4,003)
Income taxes paid		(5,245)	(6,004)	(3,857)	(4,543)
Net cash from operating activities	28	9,979	2,060	7,645	1,680
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		1,365	1,190	1,318	1,122
Proceeds from sale of business		7,440	-	7,440	-
Interest received		240	523	786	933
Dividends received		-	-	979	1,965
Acquisition of business, net of cash acquired	27	(418)	(24,692)	-	(16,419)
Acquisition of property, plant and equipment	15	(12,602)	(7,919)	(12,178)	(7,173)
Acquisition of intangible assets	16	(6,033)	(12,101)	(6,027)	(12,089)
Loans to controlled entities		-	-	(686)	(4,042)
Repayment of loans to controlled entities		-	-	-	906
Net cash from investing activities		(10,008)	(42,999)	(8,368)	(34,797)
Cash flows from financing activities					
Proceeds from borrowings		6,000	39,500	6,000	39,500
Repayment of borrowings		(10,254)	(329)	(9,800)	-
Issue of shares		9,452	-	9,452	-
Dividends paid		(8,138)	(20,785)	(8,138)	(20,785)
Dividends paid to outside equity interests	21	(371)	(422)	-	-
Net cash from financing activities		(3,311)	17,964	(2,486)	18,715
Net decrease in cash and cash equivalents		(3,340)	(22,975)	(3,209)	(14,402)
Cash and cash equivalents at 1 July		927	23,902	(1,382)	13,020
Cash and cash equivalents at 30 June	9	(2,413)	927	(4,591)	(1,382)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Coventry Group Ltd (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its controlled entities (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 24 August 2007.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

(b) Basis of preparation

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

(c) Basis of consolidation

Controlled Entities

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the translation reserve.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the translation reserve. They are released into the income statement upon disposal.

(e) Derivative financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Hedging

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

Cash flow hedges

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

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

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

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

Hedge of monetary assets and liabilities

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Hedging (continued)

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

(g) Cash and cash equivalents

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

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. An impairment allowance is made for obsolete, damaged and slow moving inventories.

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

(i) Trade and other receivables

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

(j) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

Leased assets

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

Subsequent costs

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

Depreciation

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

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

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

Where appropriate, the residual value is reassessed at least annually.

Disposal

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

(k) Intangible assets

Goodwill

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at 1 July 2004.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

Business combinations since 1 July 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on acquisition is recognised directly in profit or loss.

Computer software

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

Other intangible assets

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

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation of intangibles

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. In the current and comparative periods, goodwill was estimated to have an indefinite useful life, distribution rights was estimated to have a useful life of 10 years and computer software was estimated to have a useful life of 3 to 7 years.

(l) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (refer note 1(h)) and deferred tax assets (refer note 1(u)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment (continued)

For goodwill, intangible assets that have an indefinite life, and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Non-significant receivables are not individually assessed. Instead impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Interest-bearing loans and borrowings

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(o) Provisions

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

Warranties

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

Surplus lease space

Provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from its occupancy and sub-lease rentals do not recover the full rental costs.

The estimate is calculated based on discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Restructuring

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

Make-good

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

(p) Trade and other payables

Trade and other payables are stated at amortised cost.

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

(q) Revenue

Revenues are recognised at the fair value of the consideration receivable net of the amount of goods and services tax payable to the taxation authority.

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

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

(r) Operating lease payments

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

(s) Net financing costs

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(u) Income tax

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

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

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

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

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

Tax consolidation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

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

(v) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(w) Accounting estimates and judgements

Management discussed and agreed with the Audit & Risk Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Note 16 contains information about the assumptions and their risk factors relating to goodwill impairment.

Impairment of goodwill

The consolidated entity assesses whether goodwill is impaired at least annually in accordance with the accounting policy in note 1(l). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

(x) Discontinued operations

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

2. SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's business segments. The format is based on the consolidated entity's management and internal reporting structure.

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

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

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

Business segments

The consolidated entity comprises the following main business segments:

- Automotive Parts Distribution
- Industrial Products Distribution
- Bitumen Products (Discontinued)
- Gasket Manufacturing

The consolidated entity operates primarily in one geographical segment, being Australia.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

2. SEGMENT REPORTING (continued)

Industry Segments	Automotive parts distribution		Industrial products distribution		Bitumen products	
<i>In thousands of AUD</i>	2007	2006	2007	2006	2007	2006
Sales to customers outside the consolidated entity	240,847	259,718	255,639	216,493	16,972	16,574
Intersegment sales	(29)	597	1,470	703	-	-
Other revenue	1,215	1,310	1,441	883	281	275
Segment revenue	242,033	261,625	258,550	218,079	17,253	16,849
Unallocated corporate revenue	-	-	-	-	-	-
Total segment revenue						
Segment result	(8,228)	(1,940)	22,859	20,082	1,351	1,172
Unallocated net corporate expense						
Results from operating activities						
Net financing costs						
Results from operating activities before tax						
Income tax expense						
Gain on sale of discontinued operations (net of income tax)						
Profit for the year						
Segment assets	90,055	111,855	144,796	125,202	2,952	7,534
Unallocated corporate assets						
Total assets						
Segment liabilities	20,839	27,722	36,998	25,156	1,136	1,808
Unallocated corporate liabilities						
Total liabilities						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

Gasket manufacturing		Eliminations		Consolidated		Less Bitumen products (discontinued)		Continued operation	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
9,869	9,189	-	-	523,327	501,974	16,972	16,574	506,355	485,400
1,134	2,073	(2,575)	(3,373)	-	-	-	-	-	-
128	118	-	-	3,065	2,586	281	275	2,784	2,311
11,131	11,380	(2,575)	(3,373)	526,392	504,560	17,253	16,849	509,139	487,711
-	-	-	-	96	-	-	-	96	-
				526,488	504,560			509,235	487,711
1,190	1,488	-	-	17,172	20,802	1,351	1,172	15,821	19,630
				(13,300)	(2,870)			(13,300)	(2,870)
				3,872	17,932	1,351	1,172	2,521	16,760
				(4,954)	(3,245)	-	-	(4,954)	(3,245)
				(1,082)	14,687	1,351	1,172	(2,433)	13,515
				(2,471)	(5,046)	(407)	(355)	(2,064)	(4,691)
				2,391	-	2,391	-	-	-
				(1,162)	9,641	3,335	817	(4,497)	8,824
10,124	10,430	(1,175)	(783)	246,752	254,238				
				50,817	47,640				
				297,569	301,878				
1,160	1,063	(1,175)	(783)	58,958	54,966				
				70,528	80,487				
				129,486	135,453				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

2. SEGMENT REPORTING (continued)

Industry Segments	Automotive parts distribution		Industrial products distribution		Bitumen products		Gasket manufacturing		Eliminations		Consolidated	
<i>In thousands of AUD</i>	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	7,945	3,247	3,408	16,352	385	513	181	242	-	-	11,919	20,354
Unallocated corporate acquisition of non-current assets											6,335	13,232
Total acquisition of property, plant and equipment, intangibles and other non-current assets											18,254	33,586
Segment depreciation and amortisation expense	1,849	2,117	2,076	1,946	531	488	363	419	-	-	4,819	4,970
Unallocated net corporate depreciation and amortisation expense											3,335	2,270
Total depreciation and amortisation expense											8,154	7,240
Segment other non-cash expenses	261	4,626	1,901	802	(52)	(20)	(10)	(79)	-	-	2,100	5,329
Unallocated corporate non-cash expenses											(220)	52
Total other non-cash expenses											1,880	5,381
Individually material items included in net profit before interest and tax:												
Impairment loss on goodwill of automotive parts distribution business	8,835	1,486	-	-	-	-	-	-	-	-	8,835	1,486
Loss on exiting NSW automotive parts distribution business	728	1,940	-	-	-	-	-	-	-	-	728	1,940
Executive termination payment	-	-	-	-	-	-	-	-	-	-	500	-
Write down on Company-wide information system and expenditure related to non-recurring IT contracts	-	-	-	-	-	-	-	-	-	-	10,352	-
	9,563	3,426	-	-	-	-	-	-	-	-	20,415	3,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

3. OTHER INCOME

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Net gain on disposal of property, plant and equipment	-	313	-	294
Other income	125	374	125	177
	125	687	125	471

4. INDIVIDUALLY MATERIAL ITEMS INCLUDED IN PROFIT BEFORE TAX

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Net gain on sale of Bitumen business (tax effect \$609,000)	25	3,000	-	3,000	-
Impairment loss on goodwill of automotive parts distribution business (nil tax effect) ⁽ⁱ⁾	16	(8,835)	(1,486)	(8,835)	(1,486)
Loss from exiting New South Wales automotive parts distribution business (tax effect of \$218,000 for the Company and consolidated entity) (2006: tax effect of \$582,000 for the Company and consolidated entity)		(728)	(1,940)	(728)	(1,940)
Write down of Company-wide information system and expenditure related to non-recurring IT contracts (tax effect of \$3,106,000) ⁽ⁱⁱ⁾		(10,352)	-	(10,352)	-
Impairment loss on advance to controlled entity (nil tax effect)		-	-	-	(1,120)
Executive termination payment (tax effect \$150,000)	29	(500)	-	(500)	-
		(17,415)	(3,426)	(17,415)	(4,546)

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

The carrying amount of the Queensland and Northern Territory automotive parts distribution business goodwill has now been written down to nil. Further details are set out in note 16.

- (ii) Details of the Company-wide information system write off are set out in note 16.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

5. AUDITORS' REMUNERATION

<i>In AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Audit services				
Auditors of the Company				
<i>KPMG:</i>				
Audit and review of financial reports	317,231	298,940	246,582	244,940
Other services				
Auditors of the Company				
<i>KPMG:</i>				
Project assurance services	10,000	204,429	10,000	204,429

6. NET FINANCING COSTS

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Interest income from controlled entities	-	-	694	603
Interest income from other entities	240	523	92	330
Dividends from controlled entities	-	-	979	1,965
Financial income	240	523	1,765	2,898
Interest expense	5,194	3,768	4,873	3,398
Financial expenses	5,194	3,768	4,873	3,398
Net financing costs	4,954	3,245	3,108	500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

7. INCOME TAX EXPENSE

Recognised in the income statement

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Current tax expense					
Current year		3,361	6,264	1,941	5,033
Adjustments for prior years		(27)	(10)	(27)	(10)
		3,334	6,254	1,914	5,023
Deferred tax expense					
Origination and reversal of temporary differences		(820)	(1,185)	(756)	(1,106)
Exchange rate movements on temporary differences brought forward		(20)	(23)	-	-
Effect of tax rates applicable to foreign controlled entity		(23)	-	-	-
		(863)	(1,208)	(756)	(1,106)
Income tax expense excluding tax on sale of discontinued operation		2,471	5,046	1,158	3,917
Income tax expense from continuing operations		2,064	4,691	751	3,562
Income tax expense from discontinuing operation (excluding gain on sale)	25	407	355	407	355
		2,471	5,046	1,158	3,917
Income tax on gain on sale of discontinued operation	25	609	-	609	-
Total income tax expense in income statement		3,080	5,046	1,767	3,917



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

7. INCOME TAX EXPENSE (continued)

Numerical reconciliation between tax expense and pre-tax net profit

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Operating profit/(loss) before tax	1,918	14,687	(924)	13,477
Income tax calculated at 30%	575	4,406	(277)	4,043
Increase in income tax expense due to:				
Non-deductible expenditure	122	152	67	131
Assessable profit on sale of property	7	13	7	13
Non-deductible provision for loss on advance to controlled entity	-	-	-	336
Non-deductible impairment loss	2,651	445	2,651	445
Over provision from prior year	(27)	(10)	(27)	(10)
Effect of higher tax rate applicable to foreign controlled entity	112	74	-	-
Decrease in income tax expense due to:				
Rebatable dividends	-	-	(294)	(334)
Non-assessable dividends	-	-	-	(256)
Capital losses utilised not previously brought to account as a deferred tax asset	(360)	(34)	(360)	(34)
Tax benefit on losses transferred from controlled entity	-	-	-	(417)
Income tax expense	3,080	5,046	1,767	3,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

8. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2007 was based on the loss attributable to ordinary shareholders of \$1,409,000 (2006: profit \$9,337,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 37,548,000 (2006: 35,805,000), calculated as follows:

(Loss)/profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated	
	2007	2006
(Loss)/profit for the period	(1,409)	9,337
(Loss)/profit attributable to ordinary shareholders	(1,409)	9,337

Weighted average number of ordinary shares

<i>In thousands of shares</i>	Note	2007	2006
Issued ordinary shares at 1 July	21	35,950	35,469
Effect of shares issued in October 2006		1,117	189
Effect of shares issued in March 2007		406	106
Effect of shares issued in April 2007		75	41
Weighted average number of ordinary shares at 30 June		37,548	35,805

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2007 was based on loss attributable to ordinary shareholders of \$1,409,000 (2006: profit \$9,337,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2007 of 37,652,000 (2006: 36,238,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2007	2006
Weighted average number of ordinary shares at 30 June (basic)	37,548	35,805
Effect of share rights on issue related to long term incentive plan	104	433
Weighted average number of ordinary shares (diluted) at 30 June	37,652	36,238

Earnings per share

Basic (loss)/earnings per share	(3.8) cents	26.1 cents
Diluted (loss)/earnings per share	(3.7) cents	25.8 cents



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

9. CASH AND CASH EQUIVALENTS

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Cash on hand	139	144	131	137
Bank balances	1,239	1,247	-	-
Call deposits	978	1,102	47	47
Cash and cash equivalents	2,356	2,493	178	184
Bank overdrafts repayable on demand	(4,769)	(1,566)	(4,769)	(1,566)
Cash and cash equivalents in the statement of cash flows	(2,413)	927	(4,591)	(1,382)

10. TRADE AND OTHER RECEIVABLES

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Other trade receivables and prepayments	90,965	89,154	83,605	83,197
Allowance for impairment losses	(2,983)	(2,441)	(2,731)	(2,235)
	87,982	86,713	80,874	80,962
Receivables due from controlled entities	-	-	9,484	9,988
Allowance for impairment losses	-	-	-	(1,120)
	-	-	9,484	8,868
	87,982	86,713	90,358	89,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

11. INVENTORIES

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Raw materials and consumables	487	524	-	-
Finished goods	112,135	106,163	100,239	96,387
Allowance for impairment losses	(7,268)	(5,981)	(6,757)	(5,524)
	104,867	100,182	93,482	90,863
	105,354	100,706	93,482	90,863

Normal purchasing terms for finished goods include retention of title clauses.

12. CURRENT TAX ASSETS AND LIABILITIES

The current tax asset for the consolidated entity of \$1,082,000 (2006: \$151,000) and for the Company of \$1,005,000 (2006: \$nil) represent the amount of income taxes recoverable in respect of the current and prior financial periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the consolidated entity of \$nil (2006: \$405,000) and for the Company of \$nil (2006: \$398,000) represent the amount of income taxes payable in respect of current and prior financial periods.

13. INVESTMENTS

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Investments in controlled entities – at cost	-	-	9,542	44,769
Allowance for impairment losses	-	-	-	(35,227)
	-	-	9,542	9,542



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Trade and other receivables	(880)	(708)	282	62	(598)	(646)
Inventories	(3,782)	(2,446)	551	677	(3,231)	(1,769)
Property, plant and equipment	-	(119)	2,182	2,202	2,182	2,083
Intangible assets	-	-	120	-	120	-
Employee benefits	(4,224)	(4,302)	-	-	(4,224)	(4,302)
Trade and other payables	(279)	(137)	-	-	(279)	(137)
Provisions	(172)	(653)	-	-	(172)	(653)
Other items	(1)	(4)	24	-	23	(4)
Translation reserve	-	(369)	182	-	182	(369)
Tax value of loss carry forwards recognised	(4,045)	(4,299)	-	-	(4,045)	(4,299)
Tax (assets)/liabilities	(13,383)	(13,037)	3,341	2,941	(10,042)	(10,096)
Set off of deferred tax liability	3,341	2,941	(3,341)	(2,941)	-	-
Net deferred tax asset	(10,042)	(10,096)	-	-	(10,042)	(10,096)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities (continued)

Deferred tax assets and liabilities are attributable to the following:

The Company <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Trade and other receivables	(805)	(655)	274	62	(531)	(593)
Inventories	(3,627)	(2,302)	551	653	(3,076)	(1,649)
Property, plant and equipment	-	(120)	2,171	2,182	2,171	2,062
Intangible assets	-	-	120	-	120	-
Employee benefits	(3,941)	(4,043)	-	-	(3,941)	(4,043)
Trade and other payables	(245)	(107)	-	-	(245)	(107)
Provisions	(172)	(653)	-	-	(172)	(653)
Other items	-	(4)	-	-	-	(4)
Tax value of loss carry forwards recognised	(4,045)	(4,299)	-	-	(4,045)	(4,299)
Tax (assets)/liabilities	(12,835)	(12,183)	3,116	2,897	(9,719)	(9,286)
Set off of deferred tax liability	3,116	2,897	(3,116)	(2,897)	-	-
Net deferred tax asset	(9,719)	(9,286)	-	-	(9,719)	(9,286)

The Company has recognised a deferred tax asset of \$9,719,000 for carried forward tax losses and temporary differences. While the Company has made a loss before tax for the current period of \$924,000, after adjusting for one off significant items as disclosed in note 4, the profit before tax would have been \$16,491,000, thereby evidencing the recoverability of tax losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year

Consolidated

In thousands of AUD

	Balance 1 July 05	Recognised through business combination	Recognised in income	Recognised in equity	Balance 30 June 06	Recognised through business combination	Recognised in income	Recognised in equity	Balance 30 June 07
Trade, other receivables and derivative assets	(842)	-	134	62	(646)	-	(158)	206	(598)
Inventories	(1,380)	432	(821)	-	(1,769)	-	(1,462)	-	(3,231)
Property, plant and equipment	2,308	-	(225)	-	2,083	-	99	-	2,182
Intangibles	-	-	-	-	-	-	120	-	120
Employee benefits	(3,639)	(299)	(364)	-	(4,302)	-	78	-	(4,224)
Trade and other payables	(341)	-	208	(4)	(137)	-	(146)	4	(279)
Provisions	(123)	(17)	(513)	-	(653)	113	368	-	(172)
Other items	(4)	23	(23)	-	(4)	-	27	-	23
Translation reserve	208	-	-	(577)	(369)	-	-	551	182
Tax value of loss carry forwards recognised	(4,718)	-	419	-	(4,299)	-	254	-	(4045)
	(8,531)	139	(1,185)	(519)	(10,096)	113	(820)	761	(10,042)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

14. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year (continued)

The Company

In thousands of AUD

	Balance 1 July 05	Recognised through business combination	Recognised in income	Recognised in equity	Balance 30 June 06	Recognised through business combination	Recognised in income	Recognised in equity	Balance 30 June 07
Trade, other receivables and derivative assets	(659)	(97)	101	62	(593)	-	(144)	206	(531)
Inventories	(1,066)	180	(763)	-	(1,649)	-	(1,427)	-	(3,076)
Property, plant and equipment	2,279	-	(217)	-	2,062	-	109	-	2,171
Intangibles	-	-	-	-	-	-	120	-	120
Employee benefits	(3,219)	(466)	(358)	-	(4,043)	-	102	-	(3,941)
Trade and other payables	(302)	(37)	236	(4)	(107)	-	(142)	4	(245)
Provisions	(79)	(50)	(524)	-	(653)	113	368	-	(172)
Other items	(4)	-	-	-	(4)	-	4	-	-
Tax value of loss carry forwards recognised	(4,718)	-	419	-	(4,299)	-	254	-	(4,045)
	(7,768)	(470)	(1,106)	58	(9,286)	113	(756)	210	(9,719)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Consolidated				The Company		
<i>In thousands of AUD</i>	Land and buildings	Plant and equipment	Under construction	Total	Land and buildings	Plant and equipment	Total
Cost							
Balance at 1 July 2005	23,060	62,508	19	85,587	20,760	50,148	70,908
Acquisitions through business combinations	400	1,649	-	2,049	400	1,373	1,773
Acquisitions of net assets of controlled entity	-	-	-	-	-	3,602	3,602
Other acquisitions	79	8,612	-	8,691	79	7,860	7,939
Transfer from capital works in progress	-	19	(19)	-	-	-	-
Disposals	(115)	(14,988)	-	(15,103)	(115)	(12,357)	(12,472)
Effect of movements in foreign exchange	-	(53)	-	(53)	-	-	-
Balance at 30 June 2006	23,424	57,747	-	81,171	21,124	50,626	71,750
Balance at 1 July 2006	23,424	57,747	-	81,171	21,124	50,626	71,750
Acquisitions through business combinations	-	23	-	23	-	-	-
Other acquisitions	10	12,592	-	12,602	10	12,168	12,178
Disposals	(458)	(14,107)	-	(14,565)	(458)	(13,877)	(14,335)
Effect of movements in foreign exchange	-	273	-	273	-	-	-
Balance at 30 June 2007	22,976	56,528	-	79,504	20,676	48,917	69,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated				The Company		
<i>In thousands of AUD</i>	Land and buildings	Plant and equipment	Under construction	Total	Land and buildings	Plant and equipment	Total
Depreciation and impairment losses							
Balance at 1 July 2005	1,624	38,187	-	39,811	1,440	31,254	32,694
Depreciation charge for the year	285	5,634	-	5,919	255	4,843	5,098
Disposals	(7)	(14,214)	-	(14,221)	(7)	(11,637)	(11,644)
Balance at 30 June 2006	1,902	29,607	-	31,509	1,688	24,460	26,148
Balance at 1 July 2006	1,902	29,607	-	31,509	1,688	24,460	26,148
Depreciation charge for the year	280	5,510	-	5,790	250	4,997	5,247
Disposals	(53)	(8,745)	-	(8,798)	(52)	(8,606)	(8,658)
Effect of movements in foreign exchange	-	188	-	188	-	-	-
Balance at 30 June 2007	2,129	26,560	-	28,689	1,886	20,851	22,737
Carrying amounts							
At 1 July 2005	21,436	24,321	19	45,776	19,320	18,894	38,214
At 30 June 2006	21,522	28,140	-	49,662	19,436	26,166	45,602
At 1 July 2006	21,522	28,140	-	49,662	19,436	26,166	45,602
At 30 June 2007	20,847	29,968	-	50,815	18,790	28,066	46,856

Security

As at 30 June 2007, property, plant and equipment with a carrying amount of \$47,787,000 (2006: \$46,428,000) was subject to various security charges in relation to the consolidated entity's finance facilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

16. INTANGIBLE ASSETS

		Consolidated				The Company				
<i>In thousands of AUD</i>	Note	Goodwill	Distribution rights	Customer contracts	Computer software	Total	Goodwill	Distribution rights	Computer software	Total
Cost										
Balance at 1 July 2005		30,434	641	-	2,909	33,984	21,843	641	2,721	25,205
Acquisitions through business combinations		10,360	-	69	-	10,429	8,078	-	-	8,078
Additions		-	-	-	12,101	12,101	-	-	12,089	12,089
Effect of movements in foreign exchange		(496)	-	-	(1)	(497)	-	-	-	-
Balance at 30 June 2006		40,298	641	69	15,009	56,017	29,921	641	14,810	45,372
Balance at 1 July 2006		40,298	641	69	15,009	56,017	29,921	641	14,810	45,372
Acquisitions through business combinations	27	-	-	-	3	3	-	-	-	-
Additions		397	-	-	5,636	6,033	397	-	5,630	6,027
Write off		-	-	-	(9,758)	(9,758)	-	-	(9,758)	(9,758)
Effect of movements in foreign exchange		1,094	-	-	2	1,096	-	-	-	-
Balance at 30 June 2007		41,789	641	69	10,892	53,391	30,318	641	10,682	41,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

16. INTANGIBLE ASSETS (continued)

		Consolidated				The Company				
<i>In thousands of AUD</i>	Note	Goodwill	Distribution rights	Customer contracts	Computer software	Total	Goodwill	Distribution rights	Computer software	Total
Amortisation and impairment losses										
Balance at 1 July 2005		-	200	-	1,169	1,369	-	200	1,050	1,250
Amortisation for the year		-	72	69	1,174	1,315	-	72	1,139	1,211
Impairment charge		1,486	-	-	-	1,486	1,486	-	-	1,486
Balance at 30 June 2006		1,486	272	69	2,343	4,170	1,486	272	2,189	3,947
Balance at 1 July 2006		1,486	272	69	2,343	4,170	1,486	272	2,189	3,947
Amortisation for the year		-	72	-	2,290	2,362	-	72	2,264	2,336
Impairment		8,835	-	-	-	8,835	8,835	-	-	8,835
Amortisation on assets written off		-	-	-	(1,000)	(1,000)	-	-	(1,000)	(1,000)
Balance at 30 June 2007		10,321	344	69	3,633	14,367	10,321	344	3,453	14,118
Carrying amounts										
At 1 July 2005		30,434	441	-	1,740	32,615	21,843	441	1,671	23,955
At 30 June 2006		38,812	369	-	12,666	51,847	28,435	369	12,621	41,425
At 1 July 2006		38,812	369	-	12,666	51,847	28,435	369	12,621	41,425
At 30 June 2007		31,468	297	-	7,259	39,024	19,997	297	7,229	27,523

Impairment and write off

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Write off of Company-wide information system ⁽ⁱ⁾	8,757	-	8,757	-
Impairment of goodwill ⁽ⁱⁱ⁾	8,835	1,486	8,835	1,486
	17,592	1,486	17,592	1,486



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

16. INTANGIBLE ASSETS (continued)

Impairment and write off (continued)

- (i) In April 2007 the Company announced the review of its major projects. This included the status of the implementation of the Company-wide information system. From that review the Company has concluded that a number of key deliverables have not been successfully completed, have been abandoned or will require additional work and remediation. The review analysed the costs incurred relating to those areas of the implementation project and determined that they do not satisfy the intangible asset recognition criteria. Accordingly, after reversing previous amortisation, a total of \$8,757,000 has been expensed. The resulting carrying value of the Company-wide information system is \$6,834,000.
- (ii) Due to lower than expected sales, an impairment loss of \$8,835,000 (2006: \$1,486,000) has been recognised during the period to reduce the carrying amount of goodwill of automotive parts distribution businesses in Queensland and Northern Territory to recoverable amount.

The following units have significant carrying amounts of goodwill:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Queensland fastener distribution	3,714	3,714	3,714	3,714
Western Australia and Northern Territory fastener distribution	4,192	4,192	4,450	4,450
New Zealand fastener distribution	10,950	9,930	-	-
Australia and New Zealand cabinet and furniture hardware distribution	5,660	5,190	4,881	4,485
Northern Territory automotive parts distribution	-	6,727	-	6,727
Queensland automotive parts distribution	-	2,107	-	2,107
Multiple units without significant goodwill	6,952	6,952	6,952	6,952
	31,468	38,812	19,997	28,435

The impairment tests for the cash generating units separately identified above are based on value in use calculations, in which projected pre-tax cash flows for the next five years, together with a terminal value based on year five cash flows, have been discounted at a pre-tax discount rate of 11.97% (2006: 11.30%). The projected cash flows are based on detailed operating budgets for the year ending 30 June 2008 approved by the Board, and higher level forecasts for the following four years approved by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

16. INTANGIBLE ASSETS (continued)

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

Cash Generating Units	Key Assumptions	Basis for Determining Values Assigned to Each Key Assumption
Queensland fastener distribution	Projected gross margins	Based on average gross margins achieved in the period immediately before the budget period, adjusted for known changes in purchasing terms and the expected level of competition.
Western Australia and Northern Territory fastener distribution	Projected sales growth	Based on regional economic growth forecast and maintaining existing market share, except where new competition is expected.
New Zealand fastener distribution	Projected expenses/sales ratio	Based on expenses/sales ratio experienced in period immediately before the budget period, adjusted for known changes in expenses and expected impact of sales volume growth.
Australia and New Zealand cabinet and furniture hardware distribution		
Northern Territory automotive parts distribution	Projected gross margins	Based on average gross margins achieved in the period immediately before the budget period, adjusted for known changes in purchasing terms, expected level of competition, and expected changes to sales mix.
	Projected sales growth	Based on impact of planned marketing initiatives to increase market share in the short-term, and thereafter based on regional economic growth.
	Projected expenses/sales ratio	Based on expenses/sales ratio experienced in period immediately before the budget period, adjusted for known changes in expenses and expected impact of sales volume growth.
Queensland automotive parts distribution	Projected gross margins	Based on average gross margins achieved in the period immediately before the budget period, adjusted for known changes in purchasing terms, expected level of competition, and expected changes to sales mix.
	Projected sales growth	Based on impact of planned marketing initiatives to increase market share in the medium term, and thereafter based on regional economic growth.
	Projected expenses/sales ratio	Based on expenses/sales ratio experienced in period immediately before the budget period, adjusted for known changes in expenses and expected impact of sales volume growth.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

17. TRADE AND OTHER PAYABLES

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Trade payables	31,659	32,380	29,321	30,585
Non trade payables and accrued expenses	5,318	7,346	4,622	6,668
	36,977	39,726	33,943	37,253

18. INTEREST-BEARING LOANS AND BORROWINGS

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Current				
Bank overdraft – secured	4,769	1,566	4,769	1,566
Unsecured loan	395	372	395	372
	5,164	1,938	5,164	1,938
Non-current				
Bill acceptance facility – secured	72,719	76,583	69,000	72,801
Unsecured loan	-	394	-	394
	72,719	76,977	69,000	73,195
Financing facilities				
Total facilities available at balance date				
Bank overdraft	5,000	5,000	5,000	5,000
Bill acceptance facility	82,000	82,000	78,000	74,800
Guarantee facility	882	882	882	882
Corporate credit card facility	365	350	365	350
	88,247	88,232	84,247	81,032
Facilities utilised at balance date				
Bank overdraft	4,769	1,566	4,769	1,566
Bill acceptance facility	72,719	76,583	69,000	72,801
Guarantee facility	834	730	834	730
Corporate credit card facility	-	-	-	-
	78,322	78,879	74,603	75,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Facilities not utilised at balance date				
Bank overdraft	231	3,434	231	3,434
Bill acceptance facility	9,281	5,417	9,000	1,999
Guarantee facility	48	152	48	152
Corporate credit card facility	365	350	365	350
	9,925	9,353	9,644	5,935

Financing arrangements

Bank overdraft facility

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

Bill acceptance facility

The bill acceptance facility is next subject to review on 7 July 2009. Each bill drawn on the facility is discounted at the prevailing market rate at the time of draw-down, with the rate applying for the term of the bill, generally 90 days.

Guarantee facility

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

Corporate credit card facility

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

Securities

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

19. SHARE BASED PAYMENTS

Long-term incentives are provided to senior management, including key management personnel, through the Executive Long-term Incentive Plan ("ELTIP") which was approved by shareholders at the annual general meeting on 5 November 2003. The ELTIP provides for eligible executives (currently 4) to receive fully paid ordinary shares in the Company up to a value of 25% of fixed annual remuneration at the start of the performance period, upon achieving certain performance criteria set by the Board.

Details of the offers made under the ELTIP are as follows:

Description	Number of shares offered	Number of shares forfeited	Vesting conditions
2003 Offer	302,392	261,278	Earnings per share in excess of \$1.27 cumulative over 3 years. Total shareholder return over 3 years at least equal to that of the company at the 50th percentile of the Comparator Group, being the companies comprising the S&P/ASX Small Industrials Index at 1 July 2003. Continuous service for 3 years.
2004 Offer	90,640	55,511	Earnings per share in excess of \$1.55 cumulative over 3 years. Total shareholder return over 3 years at least equal to that of the company at the 50th percentile of the Comparator Group, being the companies comprising the S&P/ASX Small Industrials Index at 1 July 2004. Continuous service for 3 years.
2005 Offer	85,203	56,976	Earnings per share in excess of \$1.68 cumulative over 3 years. Return on equity of at least 12% for the year ending 30 June 2008. Continuous service for 3 years.
2006 Offer	130,583	77,195	Earnings per share in excess of \$1.26 cumulative over 3 years. Return on equity of at least 12% for the year ending 30 June 2009. Continuous service for 3 years.

During the year ended 30 June 2007, 77,195 shares under the 2006 Offer, 56,976 shares under the 2005 Offer, 55,511 shares under the 2004 Offer and 261,278 shares under the 2003 Offer were forfeited. No shares were forfeited in the year ended 30 June 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

19. SHARE BASED PAYMENTS (continued)

The fair value of services received in return for the offers of the ELTIP shares has been calculated at the date of grant using a Black-Scholes model incorporating the factors and assumptions detailed below. Non-market and service conditions are not taken into account in the measurement of fair value at grant date of the services received. The fair value of the services is remeasured, having regard to non-market and service conditions only, at each balance sheet date and at settlement date.

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

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

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
2003 Offer – equity settled	-	61	-	61
2004 Offer – equity settled	48	37	48	37
2005 Offer – equity settled	(20)	29	(20)	29
2006 Offer – equity settled	27	-	27	-
	55	127	55	127



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

20. PROVISIONS

In thousands of AUD

	Lease makegood	Warranty	Restructuring	Loss on sublease	Total
Consolidated					
Balance at 1 July 2006	381	131	1,235	322	2,069
Provisions made during the year	44	28	-	30	102
Provisions used during the year	(5)	(7)	(1,235)	(352)	(1,599)
Balance at 30 June 2007	420	152	-	-	572
The Company					
Balance at 1 July 2006	381	131	1,235	322	2,069
Provisions made during the year	44	28	-	30	102
Provisions used during the year	(5)	(7)	(1,235)	(352)	(1,599)
Balance at 30 June 2007	420	152	-	-	572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

21. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

Consolidated

<i>In thousands of AUD</i>	Share capital	Translation reserve	Realisation reserve	Hedging reserve	Share based payments reserve	Retained earnings	Total for members of the Company	Minority interest	Total equity
Balance at 1 July 2005	96,149	491	22,822	-	479	45,544	165,485	3,003	168,488
Effect of change in accounting policy	-	-	-	(188)	-	-	(188)	-	(188)
Total recognised income and expense	-	(1,352)	-	325	-	9,337	8,310	255	8,565
Equity settled share based payment transactions	-	-	-	-	127	-	127	-	127
Transfer to reserve	-	-	34	-	-	(34)	-	-	-
Contribution of equity	2,724	-	-	-	-	-	2,724	-	2,724
Dividends to shareholders	-	-	-	-	-	(12,869)	(12,869)	(422)	(13,291)
Balance at 30 June 2006	98,873	(861)	22,856	137	606	41,978	163,589	2,836	166,425
Balance at 1 July 2006	98,873	(861)	22,856	137	606	41,978	163,589	2,836	166,425
Total recognised income and expense	-	1,287	-	491	-	(1,409)	369	291	660
Equity settled share based payment transactions	-	-	-	-	55	-	55	-	55
Transfer to reserve	-	-	96	-	-	(96)	-	-	-
Contribution to equity	13,803	-	-	-	-	-	13,803	-	13,803
Dividends to shareholders	-	-	-	-	-	(12,489)	(12,489)	(371)	(12,860)
Balance at 30 June 2007	112,676	426	22,952	628	661	27,984	165,327	2,756	168,083



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

21. CAPITAL AND RESERVES (continued)

Reconciliation of movement in capital and reserves

Company

	Share capital	Realisation reserve	Hedging reserve	Share based payments reserve	Retained earnings	Total equity
<i>In thousands of AUD</i>						
Balance at 1 July 2005	96,149	22,822	-	479	39,466	158,916
Effect of change in accounting policy	-	-	(188)	-	-	(188)
Total recognised income and expense	-	-	325	-	9,560	9,885
Equity settled share based payment transactions	-	-	-	127	-	127
Transfer to reserve	-	34	-	-	(34)	-
Contribution to equity	2,724	-	-	-	-	2,724
Dividends to shareholders	-	-	-	-	(12,869)	(12,869)
Balance at 30 June 2006	98,873	22,856	137	606	36,123	158,595
Balance at 1 July 2006	98,873	22,856	137	606	36,123	158,595
Total recognised income and expense	-	-	491	-	(2,691)	(2,200)
Equity settled share based payment transactions	-	-	-	55	-	55
Transfer to reserve	-	96	-	-	(96)	-
Contribution to equity	13,803	-	-	-	-	13,803
Dividends to shareholders	-	-	-	-	(12,489)	(12,489)
Balance at 30 June 2007	112,676	22,952	628	661	20,847	157,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

21. CAPITAL AND RESERVES (continued)

Share capital

<i>In thousands of shares</i>	The Company Ordinary shares	
	2007	2006
On issue at 1 July	35,950	35,469
Issued under dividend reinvestment plan	1,095	481
Issued under dividend reinvestment plan underwriting agreement	2,050	-
Issued under share purchased plan	311	-
On issue at 30 June – fully paid	39,406	35,950

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

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

Translation reserve

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

Hedging reserve

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

Realisation reserve

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

Share based payments reserve

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

21. CAPITAL AND RESERVES (continued)

Dividends

Dividends recognised in the current year by the Company are:

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked/unfranked	Date of payment
2007				
Interim 2007 ordinary	17	6,375	Franked	29 March 2007
Final 2006 ordinary	17	6,114	Franked	12 October 2006
Total amount		12,489		
2006				
Interim 2006 ordinary	18	6,447	Franked	23 March 2006
Final 2005 ordinary	18	6,422	Franked	23 September 2005
Total amount		12,869		

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

Dividend franking account

<i>In thousands of AUD</i>	The Company	
	2007	2006
30 per cent franking credits available to shareholders of Coventry Group Ltd for subsequent financial years	20,532	23,085

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$nil (2006: \$2,619,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

22. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

Hedging

The consolidated entity adopts a policy of ensuring that a large proportion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in Australian dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the consolidated entity's policy. The swaps mature over the next 4 years and have fixed swap rates ranging from 5.86 per cent to 6.38 per cent. At 30 June 2007, the consolidated entity had interest rate swaps with a notional contract amount of \$50 million (2006: \$35 million).

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

The net fair value of swaps at 30 June 2007 was \$914,000 (2006: \$195,000) comprising assets of \$914,000 (2006: \$210,000) and liabilities of \$nil (2006: \$15,000).

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

22. FINANCIAL INSTRUMENTS (continued)

Effective interest rates and repricing analysis (continued)

Consolidated

<i>In thousands of AUD</i>	Note	2007								2006					
		Effective interest rate	Total	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Effective interest rate	Total	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years
Cash and cash equivalents	9	4.31%	2,356	2,356	-	-	-	-	4.01%	2,493	2,493	-	-	-	-
Bill acceptance facility	18	6.58%	(72,719)	-	-	(72,719)	-	-	6.19%	(76,583)	(76,583)	-	-	-	-
Effect of interest rate swaps		(0.48%)	-	35,000	-	(10,000)	(25,000)	-	(0.15%)	-	35,000	(15,000)	-	(10,000)	(10,000)
Unsecured loan	18	5.75%	(395)	(395)	-	-	-	-	5.75%	(766)	-	(766)	-	-	-
Bank overdrafts	18	9.50%	(4,769)	(4,769)	-	-	-	-	9.00%	(1,566)	(1,566)	-	-	-	-
			(75,527)	32,192	-	(82,719)	(25,000)	-		(76,422)	(40,656)	(15,766)	-	(10,000)	(10,000)

The Company

<i>In thousands of AUD</i>	Note	2007								2006					
		Effective interest rate	Total	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Effective interest rate	Total	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years
Cash and cash equivalents	9	1.60%	178	178	-	-	-	-	1.40%	184	184	-	-	-	-
Loans to controlled entities	10	7.55%	9,484	9,484	-	-	-	-	7.55%	8,868	8,868	-	-	-	-
Bill acceptance facility	18	6.47%	(69,000)	-	-	(69,000)	-	-	6.10%	(72,801)	(72,801)	-	-	-	-
Effect of interest rate swaps		(0.37%)	-	35,000	-	(10,000)	(25,000)	-	(0.05%)	-	35,000	(15,000)	-	(10,000)	(10,000)
Unsecured loan	18	5.75%	(395)	(395)	-	-	-	-	5.75%	(766)	-	(766)	-	-	-
Bank overdrafts	18	9.50%	(4,769)	(4,769)	-	-	-	-	9.00%	(1,566)	(1,566)	-	-	-	-
			(64,502)	39,498	-	(79,000)	(25,000)	-		(66,081)	(30,315)	(15,766)	-	(10,000)	(10,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

22. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on purchases that are denominated in a currency other than the Australian dollar. The currencies giving rise to this risk are primarily US dollars, Euros and Japanese yen. The consolidated entity selectively uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of 'net financing costs'. The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2007 was nil (2006: nil) for the consolidated entity and nil (2006: nil) for the Company recognised in fair value derivatives.

Fair values

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

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, market quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings

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

Trade and other receivables/payables

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

23. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Less than one year	11,485	11,581	10,361	8,632
Between one and five years	24,915	19,456	23,284	16,791
More than five years	22,581	23,019	22,331	22,991
	58,981	54,056	55,976	48,414

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

During the financial year ended 30 June 2007, the consolidated entity recognised \$10,599,000 (2006: \$10,142,000) as an expense in the income statement in respect of operating leases (the Company: \$9,804,000; 2006: \$8,647,000).

24. CAPITAL AND OTHER COMMITMENTS

<i>In thousands of AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Capital expenditure commitments				
Plant and equipment				
<i>Contracted but not provided for and payable:</i>				
Not later than one year	1,961	5,046	1,961	5,046
	1,961	5,046	1,961	5,046
Contractual commitments				
Information technology managed services				
<i>Contracted but not provided for and payable:</i>				
Not later than one year	-	1,411	-	1,411
Later than one year but not later than five years	-	4,112	-	4,112
	-	5,523	-	5,523

Information regarding commitments under employment contracts is provided in the Remuneration Report section of the Directors' report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

25. DISCONTINUED OPERATIONS

In June 2007 the Group sold the majority of assets in its Bitumen segment. The segment was not a discontinued operation or classified as held for sale as at 30 June 2006 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

Profits attributable to the discontinued operation were as follows:

<i>In thousands of AUD</i>	Consolidated and The Company	
	2007	2006
Results of discontinued operation		
Revenue	16,972	16,574
Other revenue	281	275
Other income	46	-
Expenses	(15,948)	(15,677)
Results from operating activities	1,351	1,172
Income tax expense	(407)	(355)
Gain on sale of discontinued operation	3,000	-
Income tax on gain on sale of discontinued operation	(609)	-
Profit for the year	3,335	817
Basic earnings per share	8.8 cents	2.3 cents
Diluted earnings per share	8.9 cents	2.3 cents



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

25. DISCONTINUED OPERATIONS (continued)

<i>In thousands of AUD</i>	Consolidated and The Company	
	2007	2006
Cash flows from discontinued operation		
Net cash from operating activities	1,768	843
Net cash from investing activities	6,496	(448)
Net cash provided by discontinued operations	8,264	395
Effect of disposal on the financial position of the Group		
Property, plant and equipment	(3,818)	-
Inventories	(310)	-
Trade and other payables	230	-
Deferred tax liabilities	(69)	-
Net identifiable assets and liabilities	3,967	-
Consideration received, satisfied in cash	6,967	-
Net cash flow	6,967	-

26. CONTROLLED ENTITIES

	Country of Incorporation	Ownership interest	
		2007	2006
		%	%
AA Gaskets Pty Ltd	Australia	73	73
ACN 086 567 713 Pty Ltd ⁽ⁱ⁾	Australia	-	100
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited ⁽ⁱⁱ⁾	New Zealand	73	73

The ultimate parent entity is Coventry Group Ltd.

(i) The company was deregistered during the financial year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

27. ACQUISITIONS OF OPERATIONS

On 6th September 2006, the consolidated entity acquired the business of Furniture Joinery Solutions Limited, a New Zealand based distributor of cabinet and furniture hardware.

This business contributed \$193,000 to the consolidated net loss before interest and tax for the period. If the acquisition had occurred on 1 July 2006, management estimate that the consolidated entity revenue would have been \$509,242,000 and the estimated consolidated entity loss before tax would have been \$2,473,000.

The fair values (and carrying amounts) at acquisition date of the assets and liabilities acquired were as follows:

<i>In thousands of AUD</i>	Consolidated	The Company
Property, plant and equipment	23	-
Trade and other receivables	4	-
Inventories	393	-
Intangibles	3	-
Other creditors and accruals	(5)	-
	418	-
Cash consideration paid	418	-
Cash acquired	-	-
Net cash outflow	418	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

28. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In thousands of AUD</i>	Note	Consolidated		The Company	
		2007	2006	2007	2006
Cash flows from operating activities					
(Loss)/profit for the period		(1,162)	9,641	(2,691)	9,560
<i>Adjustments for:</i>					
Depreciation		8,080	7,093	7,511	6,237
Amortisation		72	147	72	72
Impairment and write off of intangibles		17,592	1,486	17,592	1,486
Investment income	6	(240)	(523)	(786)	(933)
Interest expense	6	5,194	3,768	4,873	3,398
Dividends from controlled entities	6	-	-	(979)	(1,965)
Net (gain)/loss on disposal of property, plant and equipment		143	(313)	98	(294)
Net gain on disposal of business		(3,000)	-	(3,000)	-
Income tax expense	7	3,080	5,046	1,767	3,917
Operating profit before changes in working capital and provisions		29,759	26,345	24,457	21,478
(Increase)/decrease in trade and other receivables		(2,490)	(12,573)	(1,011)	(10,638)
(Increase)/decrease in inventories		(7,787)	(3,092)	(5,974)	(3,351)
(Decrease)/increase in trade and other payables		(3,146)	(1,685)	(3,698)	(3,651)
Increase in provisions and employee benefits		4,051	3,441	2,570	6,388
		20,387	12,436	16,344	10,226
Interest paid		(5,163)	(4,372)	(4,842)	(4,003)
Income taxes paid		(5,245)	(6,004)	(3,857)	(4,543)
Net cash from operating activities		9,979	2,060	7,645	1,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Non-executive directors

W G Kent, AO (Chairman - resigned 6 November 2006)
J Boros
R B Flynn (appointed Chairman 7 November 2006)
C M Kyle (resigned 6 November 2006)
R M McLean, AM
B F Nazer

Executives

V Scidone, Group General Manager – Industrial
D J Beisley, Group General Manager – Automotive
S A Cooper, Chief Financial Officer (resigned 8 June 2007)
J S Furness, Chief Information Officer (resigned 28 June 2007)
J Colli, Company Secretary
A P Hockley, Chief Financial Officer (appointed 28 May 2007)
M Ridley, Chief Information Officer (appointed 29 May 2007)

Executive directors

C J Glenn (Chief Executive Officer and Managing Director – resigned 11 April 2007)
R B Flynn (appointed Executive Chairman 11 April 2007)

Key management personnel compensation

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

<i>In AUD</i>	Consolidated		The Company	
	2007	2006	2007	2006
Short-term employee benefits	2,155,609	2,120,321	2,155,609	2,120,321
Post-employment benefits	430,998	251,909	430,998	251,909
Termination benefits	500,077	-	500,077	-
Equity compensation benefits	76,551	195,704	76,551	195,704
	3,163,235	2,567,934	3,163,235	2,567,934

Individual directors and executives compensation disclosures

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

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Movements in shares

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

	Held at 1 July 2006	Purchases	Sales	Held at Resignation	Held at 30 June 2007
Directors					
W G Kent (Chairman)	37,438	13,032	-	50,470	-
J Boros	12,000	5,320	-	-	17,320
R B Flynn	15,201	16,945	-	-	32,146
C J Glenn	14,174	20,063	-	34,237 ⁽ⁱ⁾	-
C M Kyle	3,003,122	-	12,000	2,991,122 ⁽ⁱⁱ⁾	-
R M McLean	28,465	1,233	-	-	29,698
B F Nazer	25,000	1,182	-	-	26,182
Executives					
V Scidone	8,948	6,814	-	-	15,762
D J Beisley	-	-	-	-	-
S A Cooper	4,032	6,888	-	10,920	-
J S Furness	3,662	2,406	-	6,068	-
J Colli	-	1,005	-	-	1,005
A P Hockley	-	-	-	-	-
M Ridley	-	-	-	-	-

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

(i) Includes 5,000 shares held by personally-related entities in which Mr C J Glenn has no relevant interest.

(ii) Includes 1,428,102 shares held by personally-related entities in which Mr C M Kyle has no relevant interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Movements in shares (continued)

	Held at 1 July 2005	Purchases	Sales	Held at Resignation	Held at 30 June 2006
Directors					
W G Kent (Chairman)	35,124	2,314	-	-	37,438
J Boros	7,500	4,500	-	-	12,000
R B Flynn	4,738	10,463	-	-	15,201
C J Glenn	13,606	568	-	-	14,174 ⁽ⁱ⁾
C M Kyle	2,936,706	66,416	-	-	3,003,122 ⁽ⁱⁱ⁾
R M McLean	16,189	12,276	-	-	28,465
B F Nazer	2,000	23,000	-	-	25,000
Executives					
V Scidone	6,819	2,129	-	-	8,948
D J Beisley	-	-	-	-	-
S A Cooper	3,782	250	-	-	4,032
J S Furness	1,997	1,665	-	-	3,662
J Colli	-	-	-	-	-

(i) Includes 5,000 shares held by personally-related entities in which Mr C J Glenn has no relevant interest.

(ii) Includes 1,428,102 shares held by personally-related entities in which Mr C M Kyle has no relevant interest.

Other Transactions

From time to time, key management personnel may purchase goods from companies within the consolidated entity on the same terms as apply to other employees of the consolidated entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007 (continued)

30. RELATED PARTIES – OTHER THAN KEY MANAGEMENT PERSONNEL

Identity of related parties

The consolidated entity has a related party relationship with its controlled entities (see note 26) and with its key management personnel (see note 29).

Controlled entities

All transactions with controlled entities are on normal terms and conditions.

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

<i>In AUD</i>	The Company	
	2007	2006
Dividend revenue	978,750	1,965,345
Revenue from sale of goods	243,702	452,125
Purchase of inventories	1,134,440	2,168,387
Increase/(decrease) in intercompany advance accounts	787,070	(17,215,894)
Aggregate amounts receivable from controlled entities:		
Advance accounts – interest free ⁽ⁱ⁾	-	1,403,254
Advance account subject to interest charges	9,483,988	8,868,248
Other	-	3,196
	9,483,988	10,274,698

During the year ended 30 June 2007, the Company received interest of \$694,000 (2006: \$603,000) in respect of the advance account subject to interest charges. Interest is charged at commercial rates.

(i) This advance was fully provided for as at 30 June 2006.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Coventry Group Ltd ('the Company'):
 - (a) the financial statements and notes (including the remuneration disclosures that are contained in sections 10.1, 10.2, 10.3, 10.4, 10.6 and 10.7 of the Remuneration Report in the Directors' report), set out on pages 44 to 102, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2007 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the remuneration disclosures that are contained in sections 10.1, 10.2, 10.3, 10.4, 10.6 and 10.7 of the Remuneration Report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations by the executive chairman and chief financial officer for the financial year ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



R B Flynn
Executive Chairman

Perth
24 August 2007



INDEPENDENT AUDITOR'S REPORT

To the members of Coventry Group Ltd

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Coventry Group Ltd (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in sections 10.1, 10.2, 10.3, 10.4, 10.6 and 10.7 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB124.

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INDEPENDENT AUDITOR'S REPORT

(continued)

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Coventry Group Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 10.1, 10.2, 10.3, 10.4, 10.6 and 10.7 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.



KPMG



T R HART
Partner

Perth
24 August 2007



LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of Coventry Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

T R HART
Partner

Perth
24 August 2007

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

SHAREHOLDER INFORMATION

as at 4 September 2007

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1. RBC Dexia Investor Services Australia Nominees Pty Limited (BK Cust A/C)	6,654,593	16.89
2. JP Morgan Nominees Australia Limited	2,236,950	5.68
3. National Nominees Limited	1,887,881	4.79
4. Australian Foundation Investment Company Limited	1,650,000	4.19
5. Dorsett Investments Pty Ltd	1,486,016	3.77
6. Swanwall Holdings Pty Ltd	1,343,535	3.41
7. Anne Kyle	866,973	2.20
8. Fortis Clearing Nominees Pty Ltd	854,009	2.17
9. Citicorp Nominees Pty Limited	835,991	2.12
10. Argo Investments Limited	740,703	1.88
11. Malcolm James McCusker	734,511	1.86
12. Sandhurst Trustees Ltd (SISF A/C)	652,073	1.65
13. HSBC Custody Nominees (Australia) Ltd	605,344	1.54
14. RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	593,114	1.51
15. Gwynvill Trading Pty Ltd	400,000	1.02
16. Seymour Group Pty Ltd	400,000	1.02
17. Citicorp Nominees Pty Limited (CFSIL Cw/lt Aust SHS 14 A/C)	395,861	1.00
18. Akat Investments Pty Ltd (Tag Family A/C)	350,000	0.89
19. Geoffrey Michael Kyle	301,708	0.77
20. ANZ Nominees Ltd (Income Reinvest Plan A/C)	239,856	0.61
	23,229,118	58.97

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1,000	1,256	34.64	519,712	1.32
1,001 to 5,000	1,691	46.64	4,374,300	11.10
5,001 to 10,000	366	10.09	2,611,545	6.63
10,001 to 100,000	279	7.69	6,504,549	16.51
100,001 and over	34	0.94	25,396,179	64.44
	3,626	100.00	39,406,285	100.00

There were 400 holders of less than a marketable parcel of shares.



SHAREHOLDER INFORMATION

as at 4 September 2007 (continued)

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 4 September 2007.

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

VOTING RIGHTS

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

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

INVESTOR INFORMATION

Annual General Meeting

The 71st Annual General Meeting of Coventry Group Ltd will be held at the Golden Ballroom North, Sheraton Perth Hotel, 207 Adelaide Terrace, Perth, Western Australia on Monday, 5 November 2007, 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

The Company 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.

Annual Report

Recent amendments to the Corporations Act have changed the obligations of companies regarding the provision of annual reports to shareholders. As a result the default option for receiving annual reports is via a company's website. In line with common ASX listed company practice, shareholders can now read a timely and cost effective online annual report via the Company's website www.cgl.com.au unless a printed version is requested. The report will be placed on the website when the notice of annual general meeting is mailed to shareholders.

Shareholders are encouraged to access the document online as it reduces costs and provides benefits to the environment. Shareholders who wish to receive a hard copy of the annual report should contact the share registry to obtain the appropriate form.

Dividend Reinvestment Plan

The Company operates a 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.

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



INVESTOR INFORMATION

(continued)

Dividend Reinvestment Plan (continued)

The Directors determine from time to time whether the DRP will operate for any particular dividend that may be declared and if a discount to the market price calculated in accordance with the plan will apply for shares issued under the DRP.

For the year ended 30 June 2007, the Directors did not declare a final dividend and as a consequence the DRP does not apply.

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

Registered and Principal Administrative Office ¹

253 Walter Road

Morley Western Australia 6062

Telephone: (08) 9276 0222

Facsimile: (08) 9276 1666

Postal Address

PO Box 63

Morley Western Australia 6943

Web Site

www.cgl.com.au

Secretary

J Colli

Bankers

Westpac Banking Corporation

Auditors

KPMG

Central Park

152-158 St George's Terrace

Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Limited

Level 2, Reserve Bank Building

45 St George's Terrace

Perth Western Australia 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

¹ Effective from 15 October 2007, the Registered and Principal Administrative Office will change to: 525 Great Eastern Highway, Redcliffe Western Australia 6104.

Telephone: (08) 9276 0111 Facsimile: (08) 9436 5406.

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