

**COVENTRY GROUP LTD**

ABN 37 008 670 102



**CONCISE ANNUAL REPORT**

**2010**

# 5 Year Financial Overview

YEAR ENDED 30 JUNE		2010	2009	% Change		2008	2007	2006
Revenue from sale of goods	(\$M)	<b>393.1</b>	419.1	6.2	▼	448.8	468.3	502.0
Profit before tax <sup>1</sup>	(\$M)	<b>9.9</b>	1.0	890.0	▲	4.3	1.9	14.7
Profit/(loss) after tax <sup>1</sup>	(\$M)	<b>7.0</b>	(1.0)	800.0	▲	6.9	(1.2)	9.6
Net assets	(\$M)	<b>174.0</b>	170.4	2.1	▲	172.9	168.1	166.4
Shareholders' equity <sup>2</sup>	(\$M)	<b>171.3</b>	167.7	2.1	▲	170.9	165.3	163.6
Earnings/(loss) per share <sup>3</sup>	(cents)	<b>16.3</b>	(3.6)	552.8	▲	16.6	(3.8)	26.1
Dividends per share	(cents)	<b>14.0</b>	5.0	180.0	▲	–	17	35
Net tangible assets per share	(\$)	<b>3.39</b>	3.30	2.7	▲	3.24	3.21	3.11
Operating cash flow	(\$M)	<b>23.2</b>	18.5	25.4	▲	11.8	10.0	2.1
Return on equity <sup>4</sup>	(%)	<b>3.7</b>	1.0	270.0	▲	4.4	8.0	8.1
Net interest bearing debt	(\$M)	<b>(4.9)</b>	15.1	132.5	▼	45.8	75.5	76.4
Gearing (net debt to equity)	(%)	<b>(2.8)</b>	8.9	131.5	▼	26.5	44.9	45.9
Interest cover	(times)	<b>8.5</b>	2.5	240.0	▲	2.1	4.9	7.1
Share price (30 June)	(\$)	<b>1.85</b>	0.91	103.3	▲	1.91	4.50	4.20
Market capitalisation (30 June)	(\$M)	<b>73.8</b>	35.9	105.6	▲	75.3	177.3	151.0

<sup>1</sup> before minority interest

<sup>2</sup> excludes minority interest

<sup>3</sup> basic

<sup>4</sup> before significant items and minority interests

## About Coventry Group

Coventry Group Ltd was incorporated in 1936 and has been listed on the ASX since 1966 (ASX code: CYG). We employ around 1,485 people and operate throughout Australia and New Zealand with a network of 111 locations.

Our principal activities are:

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

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# 2010 Year in Brief

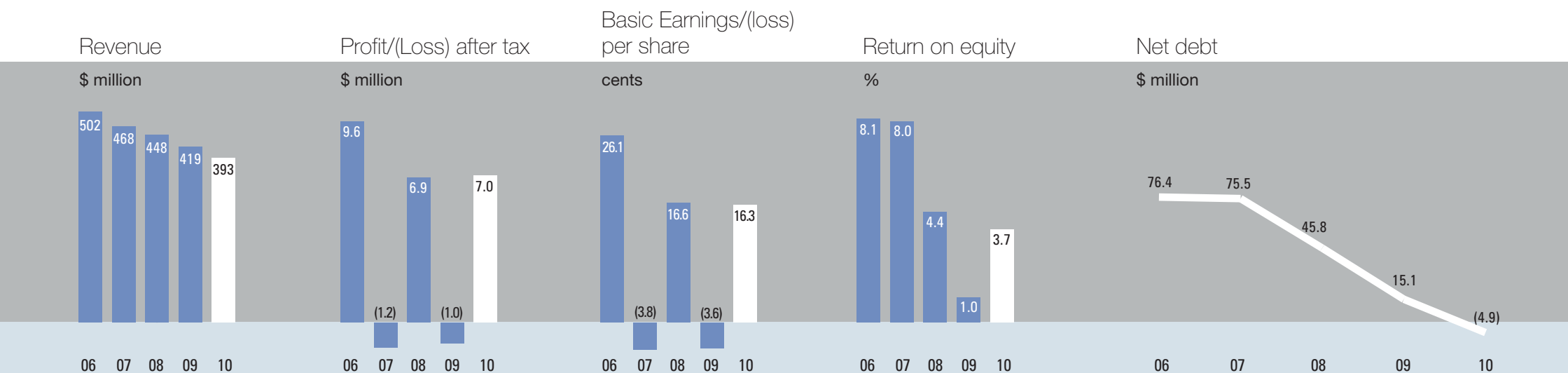


## Financial

- net profit after tax of \$7.0 million compared to a loss of \$1.0 million last year
- Company is debt free following internal cash generation of \$20 million for the 2009/10 financial year
- earnings per share improved significantly – 16.3 cents compared to (3.6) cents last year
- revenue from continuing operations of \$393.1 million - a 6.2% decrease on last year
- dividends of 14 cents per share fully franked in respect of the year compared to 5 cents per share fully franked for the previous year

## Operations

- automotive business continues to improve its trading performance – network expanded with 3 new branches established
- AA Gaskets, the gasket manufacturing subsidiary, achieved another strong performance
- industrial business affected by tough trading conditions which particularly impacted the fastener division
- significant improvement in working capital largely due to better information from computer system and concerted management action



## Overview of Business Units



### Industrial

#### Principal Activities

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

#### Year In Brief

- economic and market conditions remained challenging and difficult
- further supply chain improvements achieved within the fastener division
- launch of the fastener house brand – Konnect
- strong overall performance by the Cooper Fluid Systems division with a consequence growth in its shutdown services



### Automotive

#### Principal Activities

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

#### Year In Brief

- improved safety results, continued focus on reducing manual handling related injuries
- continued strong delivery and customer service performance
- operational improvements delivered significant cost and capital performance
- solid result in a challenging economic environment



### Gaskets

#### Principal Activities

- manufacture and distribution of automotive and industrial gaskets.

#### Year In Brief

- strong improvement in sales and profitability achieved
- expansion of high performance product range
- liaison with external party to improve product development



## Overview of Business Units (continued)

### Industrial

Financial	2010	2009	% Change
Sales (\$M)	<b>215.0</b>	247.1	-13.0
EBIT – normalised (\$M)	<b>7.8</b>	11.1	-29.7
EBIT/Sales Margin (%)	<b>3.6</b>	4.5	-20.0
Capital Employed (\$M)	<b>85.0</b>	91.4	-7.0
Return on Capital Employed (%) <sup>1</sup>	<b>9.2</b>	12.1	-24.0

<sup>1</sup> EBIT/assets less creditors and provisions

### Automotive

Financial <sup>1</sup>	2010	2009	% Change
Sales (\$M)	<b>167.7</b>	163.3	+2.7
EBIT – normalised (\$M)	<b>3.4</b>	(2.8)	+221.4
EBIT/Sales Margin (%)	<b>2.0</b>	(1.7)	+217.6
Capital Employed (\$M)	<b>46.0</b>	49.8	-7.6
Return on Capital Employed (%) <sup>2</sup>	<b>7.4</b>	(5.7)	+229.8

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

### Gaskets

Financial	2010	2009	% Change
Sales (\$M)	<b>13.3</b>	11.8	+12.7
EBIT – normalised (\$M)	<b>2.6</b>	2.1	+23.8
EBIT/Sales Margin (%)	<b>19.5</b>	17.4	+12.1
Capital Employed (\$M)	<b>9.9</b>	9.9	-
Return on Capital Employed (%) <sup>1</sup>	<b>26.3</b>	21.2	+24.0

<sup>1</sup> EBIT/assets less creditors and provisions







# Executive Chairman's Report

## Dear Shareholder

On behalf of your directors I present the Coventry Group's 2010 concise annual report.

## Financial Performance

The 2009/10 financial year was a landmark year for the Group in many ways. It saw recovering profitability, resumption of dividends to historical norms, balance sheet strength with no net debt giving the ability to actively pursue growth opportunities.

A net profit after tax of \$7 million was achieved compared to a loss of \$1 million last year. The Group also reached a milestone of being debt free following the internal cash generation of \$20 million during the year.

The following table shows a number of key financial indicators for the 2009/10 year.

	Year ended 30.06.10	Year ended 30.06.09	% Change
Revenue from continuing operations (\$M)	393.1	419.1	-6.2
Net (loss)/profit after tax (\$M)	7.0	(1.0)	-
NTA per share (\$)	3.39	3.30	+2.7
Net cash/(debt) (\$M)	4.9	(15.1)	-
Dividends (cents)	14.0	5.0	+180
EPS - basic (cents)	16.3	(3.6)	-

Resource industry demand for the fluids division is strengthening and the cabinet furniture and hardware division returned to profits. Trading conditions for the fastener division within the industrial business are continuing to be tough which adversely affect the overall performance of the business. However, reduced costs through restructuring of operations and no impairment losses as compared to the previous year allowed the business overall to generate an improved profit.

The automotive business continues to improve its performance and is trading profitably in both Western Australia and South Australia.

The gaskets business recorded another strong performance.

## Gearing and Cash Flow

The Group is now debt free having moved from a net debt position of \$15.1 million at the commencement of the year to a net cash position of \$4.9 million at the end of the 2009/10 financial year. Better working capital management significantly contributed to this improvement.

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

	30.06.10	30.06.09
Operating Cash Flow (\$M)	23.2	18.5
Net Interest Bearing Debt (\$M)	(4.9)	15.1
Net Debt/Equity (%)	(2.8)	8.9
Interest Cover (times)	8.5	2.5

## Dividend

On 19 July 2010, the directors declared a final dividend of 8 cents per share, fully franked payable on 21 September 2010 with a record date of 6 September 2010. This results in total dividends of 14 cents per share, fully franked for the current year compared to 5 cents per share for the previous year. Given strong continued cash generation, the Company's dividend reinvestment plan has been suspended for this final dividend.

## Board

During the year Mr Ken Perry joined the Board. His appointment was approved by shareholders at last year's AGM. In accordance with the Company's constitution, Mr Barry Nazer retires by rotation at the forthcoming AGM and being eligible offers himself for re-election.

The remaining board members have recommended his re-election.

## Operation Review

### Industrial Products Distribution

The industrial products business reported a 12.9% decrease in revenue to \$215 million. Profit before interest and tax was \$5.7 million compared to \$1.0 million for the previous year. However, the profit results for both years were adversely affected by materially

## Executive Chairman's Report (continued)

significant items of a non-recurrent nature which totalled \$2.1 million for the current year and \$10.0 million for last year. Details of the significant items are set out in Note 2 to the consolidated financial statements and, in the main, relate to redundancy and restructuring costs, provisions for doubtful debts and obsolete stock and impairment losses on goodwill.

The overall performance of the business was impacted by a significant decline in both revenue and profitability for the Fastener division. A contributing factor was weaker sales particularly in the construction sector – including domestic and commercial/industrial and government infrastructure areas. Queensland, South Australia and Victoria were particularly adversely affected whilst New South Wales and Western Australia were stronger buoyed by completion of remaining infrastructure projects and increased resources activities respectively. The Fastener business in New Zealand also showed a decline due to on going depressed economic conditions. On the positive side, the Cooper Fluids Systems division recorded improved profitability to the previous year primarily due to business growth in resources and infrastructure projects in Far North Queensland and an improvement in general market conditions associated with the supply of parts to the mining sector in Western Australia particularly in the latter part of the financial year.

The cabinet and furniture hardware division, Artia, returned to profitability during the current financial year following cost reduction measures implemented during the previous and current years and continuing business performance improvements following senior management changes. Since the end of the financial year, the Artia business has consolidated its three distribution centres and its administration into one Victorian location.

### Automotive Parts Distribution

Revenue for the automotive parts business increased marginally by 2.8% to \$167.6 million. Profit before interest and tax was \$3.5 million compared to a loss of \$7.9 million in the previous year. The profit results for both years were adversely affected by materially significant items of a non-recurrent nature which totalled \$0.1 million for the current year compared to \$5.0 million for last year. Details of the significant items are set out in Note 2 to the consolidated financial statements and, in the main, relate to redundancy and restructuring costs and provisions for doubtful debts and obsolete stock.

The business unit's two divisions, in Western Australia and South Australia, both achieved improved trading performances. A contributing factor to the improved performance was a significant reduction in the overall cost base of the business and efficiency gains achieved by the warehousing and distribution centre in Western Australia which is providing a solid

platform to regain sales lost in preceding years. An improvement in general market conditions also contributed to increased sales into the mining sector of Western Australia, particularly in the latter part of the financial year. During the financial year, the business expanded its network by opening three new branches – Broome and Busselton in Western Australia and Mount Barker in South Australia.

### Gasket Manufacturing

The Company's controlled entity, AA Gaskets Pty Ltd, recorded a 13.5% increase in revenue to \$12.8 million. Profit before interest and tax of \$2.6 million was a 24.1% increase on the previous year.

AA Gaskets' activities in both Australia and New Zealand performed strongly.

### People

As our businesses continue to recover from legacy performance issues and the global financial crisis, the commitment from our employees has been a significant contributor to the Group's improved performance in another year of significant change.

During the 2009/10 financial year, the new Fair Work Act was introduced. As a consequence many of the Company's policies and procedures, employment contracts and induction materials were reviewed to ensure compliance with the new legislation.

The uncertainty associated with the global financial crisis and the consequent negative impact on a number of our businesses, meant that the senior management team decided to take significant measures to provide leadership in cost management. The executive team, including the directors, and many of our senior managers agreed to take a temporary voluntary pay cut and it was decided to suspend the annual pay review scheduled for October 2009 for all employees. With the economic improvement in the beginning of this calendar year the senior team decided to restore pays and cease the pay freeze with an out-of-cycle general pay review in April 2010.

Effective from 1 July 2010, a new payroll system was successfully introduced which resulted in pay cycles changing from a weekly to a fortnightly basis, with resultant cost savings.

In relation to training and development, all businesses have continued to support and promote frontline management training to develop and retain our future leaders and have continued to emphasize traineeships to ensure consistent entry level training.



## Executive Chairman's Report (continued)

The Group continues to maintain its focus on safety at all levels of the business which is demonstrated in our significantly improved lost time injuries performance in the past 3 years. There was also a significant drop in motor vehicle accidents over the past year.

During the year the Board approved the establishment of an employee share plan. This is a broad based plan for employees who have shown commitment to the Company with at least 3 years service. Under the plan eligible employees will be made offers of shares in the Company from time to time. The aim of the plan is to encourage employees to become shareholders, align their interests to those of shareholders and have an additional motivator to improve the Company's overall performance and profitability.

### Outlook

The Company is well positioned to benefit from growth initiatives given the economic environment and to pursue organic and acquisitive growth. Our markets remain very competitive.

The outlook for most Group businesses is favourable subject to gradual improvement in economic conditions and hence demand for our products. As such we anticipate that profits will be materially higher than for the year ended 30 June 2010. It is premature to give precise quantitative guidance.

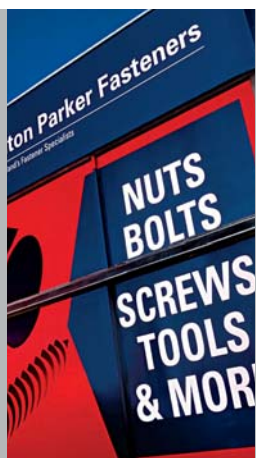
In conclusion I record my thanks to all our employees across the Group for their efforts over the past financial year and the support I have received from my fellow directors.

I would also like to acknowledge the support of the Company's customers and suppliers through some difficult economic circumstances.



**Roger B Flynn**

Executive Chairman



# Board of Directors

## Roger Baden Flynn

B.Eng (Hons), MBA, FIE (Aust), FAICD  
Executive Chairman  
Chairman of nomination committee



Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is also a director of Hills Industries Limited. He is a former Director of Wattyl Limited and Longreach Group Ltd and has had 40 board years experience on 6 listed companies.

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

	From	To
Hills Industries Limited	1999	current

## Barry Frederick Nazer

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



Mr Nazer was appointed as a director of the Company in September 2003. He is currently Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility. He is also a non-executive director of VDM Group Limited and M G Kailis Group. He was Chief Financial Officer and Company Secretary of WESFI Limited, a major engineered wood products manufacturer and distributor, from August 1999 until its sale in

2001. He previously spent over 10 years at the executive level of Western Australia's largest financial institution, Bank of Western Australia Limited (BankWest), including almost 9 years as Chief Financial Officer.

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

	From	To
VDM Group Limited	01.10.2008	current

## John Harold Nickson

B.Ec, CPA, FAICD  
Independent non-executive director  
Member audit and risk committee; Chairman of remuneration committee



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

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

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

## Kenneth Royce Perry

B.Sc (Hons), MBA, MAICD, FAIMM  
Independent non-executive director  
Member of audit and risk, remuneration and nominations committees



Mr Perry was appointed a director of the Company on 18 September 2009. He is

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

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

	From	To
Brandrill Limited	16.08.2002	16.12.2009

## Vince Scidone

BBus, AFAIM, AAICD  
Executive director



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

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

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

# Concise Financial Report

## Coventry Group Ltd and its controlled entities

### Concise financial report

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

The full financial report can be viewed on or downloaded from Coventry Group Ltd's website – [www.cgl.com.au](http://www.cgl.com.au)

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

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# Statement of Comprehensive Income For the year ended 30 June 2010

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

## Discussion and analysis of the statement of comprehensive income

For the year ended 30 June 2010

The Group's total revenue from sale of goods declined 6.2% to \$393.1 million. Group profit after tax was \$7.0 million compared to a loss of \$1.0 million after tax the Group recorded for last year. However results in both years were adversely affected by materially significant items, as disclosed in note 5 and in this discussion and analysis, amounting to a net gain of \$0.1 million in the current year and a net loss of \$3.8 million in last year.

Details of the revenue and results by segment are shown in note 4 but further analysis is as follows:

### Automotive parts distribution

- Automotive parts distribution revenues increased by 2.8% to \$167.6 million. A profit before finance costs and tax of \$3.5 million was recorded compared to a loss of \$7.9 million in the previous year. However results in both years were adversely affected by materially significant items of a non recurrent nature as disclosed in note 5, amounting to \$0.1 million in the current year and \$5.0 million for last year. These results are attributable to:
  - Improvement in the Group's operations in both Western and South Australia.
  - Significant reduction in the overall cost base of the operations stemming largely from head count reduction.
  - The operation of the warehousing and distribution centre in Western Australia now providing a solid platform to regain the sales lost in the preceding years.
  - Improvement in the general market conditions surrounding the supply of automotive parts to the mining sector in Western Australia in the latter part of the financial year.



# Statement of Comprehensive Income For the year ended 30 June 2010 (continued)

<i>In thousands of AUD</i>	Note	Consolidated	
		2010	2009 Re-presented
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		<b>7,167</b>	(2,615)
Minority interest		<b>496</b>	411
<b>Total comprehensive income/(loss) for the period</b>		<b>7,663</b>	(2,204)
<b>Earnings per share:</b>			
Basic earnings/(loss) per share:		<b>16.3 cents</b>	(3.6) cents
Diluted earnings/(loss) per share:		<b>16.3 cents</b>	(3.6) cents
<b>Continuing operations:</b>			
Basic earnings per share:		<b>15.6 cents</b>	1.0 cents
Diluted earnings per share:		<b>15.6 cents</b>	1.0 cents

The notes on pages 16 to 23 are an integral part of these consolidated financial statements.

## Discussion and analysis of the statement of comprehensive income (continued)

### Industrial products distribution

- Industrial products distribution revenues decreased by 12.9% to \$215.0 million. Profit before tax increased to \$5.7 million compared to \$1.0 million for the previous year. However results in both years were adversely affected by materially significant items of a non recurrent nature as disclosed in note 5, amounting to \$2.1 million in the current year and \$10.0 million for last year. These results are attributable to:
  - The Fasteners business unit declined significantly in both revenues and profitability. The decline was first noted in late November 2008 and continued throughout the financial year. The continuing impact of the global economic crisis was felt across the fastener customer base but most acutely in the construction – both domestic and commercial/industrial and

government infrastructure areas. The results were particularly adversely affected in the states of South Australia, Victoria and Queensland whilst New South Wales and Western Australia were stronger, buoyed by, in the case of New South Wales the completion of remaining infrastructure projects and Western Australia increased resource activity. The business in New Zealand also showed decline in both revenues and profitability due to the ongoing economic recession. Data both from International and Australian based companies and economic indicators suggest that this was in line with the general experience of all companies in the market place.

- The Coopers Fluid Systems business unit declined in revenue however showed improved profitability. The Queensland based business showed revenue and profit growth primarily due to infrastructure projects in far North Queensland. The remaining Australian

businesses declined in revenue due to the closure of the Victorian branch in July 2009 however showed improved profitability from reduced costs and improvement in the general market conditions surrounding the supply of parts to the mining sector in Western Australia in the latter part of the financial year.

- The Cabinet Hardware business unit (branded Artia) declined in revenue but the cost reduction measures taken in the previous and current years allowed the business to return to profitability. The small unit in New Zealand recorded a loss for the year as it struggled in an economy in recession. The senior management changes which were made in January 2009 have shown continuing business performance improvements.
- The senior management of the Industrial products distribution business continue to undertake a systematic review of its operations to enhance business performance and reduce costs.

### Gaskets manufacturing

- Gaskets manufacturing revenues increased by 13.5% to \$12.8 million. Profit before tax increased 24.1% to \$2.6 million. These results are attributable to:
  - The business units in Australia and New Zealand both performed strongly. Whilst it is difficult to quantify the specific reason the results were improved by the fact that one major competitor to the businesses was under administration during the financial year. The businesses supply the automotive after market from its manufactured and imported product range.

The basic earnings per share were 16.3 cents per share compared to a loss of 3.2 cents per share for the previous year. The Company paid total dividend of 11 cents per share, fully franked, during the year and has declared a dividend of 8 cents per share, fully franked, which will be paid on 21 September 2010.

# Statement of Financial Position As at 30 June 2010

<i>In thousands of AUD</i>	Note	Consolidated	
		2010	2009
<b>Assets</b>			
Cash and cash equivalents		5,730	5,071
Trade and other receivables		63,978	64,099
Inventories		82,633	91,419
Income tax receivable		31	802
<b>Total current assets</b>		<b>152,372</b>	161,391
Deferred tax assets		11,756	14,042
Property, plant and equipment		27,049	28,850
Intangible assets		36,109	37,668
<b>Total non current assets</b>		<b>74,914</b>	80,560
<b>Total assets</b>		<b>227,286</b>	241,951
<b>Liabilities</b>			
Trade and other payables		38,793	35,444
Interest bearing loans and borrowings		812	-
Employee benefits		10,242	10,620
Income tax payable		278	220
Provisions		778	887
<b>Total current liabilities</b>		<b>50,903</b>	47,171
Interest bearing loans and borrowings		-	20,213
Employee benefits		1,721	2,034
Derivatives liability		-	893
Provisions		621	1,256
<b>Total non current liabilities</b>		<b>2,342</b>	24,396
<b>Total liabilities</b>		<b>53,245</b>	71,567
<b>Net assets</b>		<b>174,041</b>	170,384

## Discussion and analysis of the statement of financial position

For the year ended 30 June 2010

The Group's net assets increased by 2.1% to \$174.0 million.

The Group's total assets decreased by 6.0% (\$14.7 million) to \$227.3 million.

The decrease in total assets principally comprises:

- A reduction in inventories of \$8.8 million (9.6%) since 30 June 2009. The Group has undertaken a systematic review and reduction of its inventory levels across all business units aided by the analytic tools afforded by the computer system. Whilst some ongoing improvement is expected in inventory management, further falls like those experienced in the last 18 months are unlikely.
- A reduction in property, plant and equipment of \$1.8 million. During the year the Group successfully sold three properties for prices in excess of their book value as disclosed in note 5.
- Deferred tax assets which decreased by \$2.3 million to \$11.8 million due to a reduction in carry forward revenue losses.
- Intangible assets which decreased by \$1.5 million to \$36.1 million due to amortisation.

Current liabilities increased by \$4.0 million to \$50.9 million due to an increase in trade and other payables of \$3.3 million.

Employee benefits decreased by \$0.4 million and other provisions decreased by \$0.1 million. The Group's agreement with its current bank are such that the facilities will be repayable on 1 January 2011 and the interest bearing loans and borrowings under that facility (\$0.8 million) have been reclassified as current liabilities. At 30 June 2010 the Group was in advanced discussion with a number of bankers in respect of providing facilities to the Group.

# Statement of Financial Position As at 30 June 2010 (continued)

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
<b>Equity</b>			
Issued capital	6	<b>113,442</b>	112,676
Reserves	6	<b>24,377</b>	23,367
Retained earnings	6	<b>33,497</b>	31,631
<b>Total equity attributable to equity holders of the Company</b>		<b>171,316</b>	167,674
<b>Minority interest</b>		<b>2,725</b>	2,710
<b>Total equity</b>		<b>174,041</b>	170,384

The notes on pages 16 to 23 are an integral part of these consolidated financial statements.

## **Discussion and analysis of the statement of financial position (continued)**

Non current liabilities decreased by \$22.1 million to \$2.3 million. At 30 June 2009 the interest bearing loans and borrowings (\$0.8 million) were \$20.2 million; the borrowings under these facilities have been classified as current liabilities in the current year.

Issued capital increased by \$0.8 million to \$113.4 million due to shares issued under the dividend reinvestment plan.

Total reserves increased by \$2.9 million to \$57.9 million mainly as a result of an increase in retained earnings, movements in foreign currency translation reserve, movements in the fair value of cash flow hedges and minority interests.

# Statement of Changes in Equity For the year ended 30 June 2010

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

## Discussion and analysis of the statement of changes in equity

For the year ended 30 June 2010

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

The notes on pages 16 to 23 are an integral part of these consolidated financial statements.



# Statement of Cash Flows For the year ended 30 June 2010

<i>In thousands of AUD</i>	Note	Consolidated 2010	2009
<b>Cash flows from operating activities</b>			
Cash receipts from customers		434,806	498,053
Cash paid to suppliers and employees		(410,355)	(477,142)
Cash generated from operations		24,451	20,911
Interest paid		(1,209)	(3,203)
Income taxes received/(paid)		(81)	766
<b>Net cash from operating activities</b>		<b>23,161</b>	18,474
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		3,340	16,696
Interest received		45	103
Acquisition of business, net of cash acquired		-	(80)
Acquisition of property, plant and equipment		(1,986)	(981)
Acquisition of intangible assets		(93)	(3,192)
<b>Net cash from investing activities</b>		<b>1,306</b>	12,546
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		15,262	7,000
Repayment of borrowings		(34,684)	(35,885)
Payments for share buy back	6	(338)	-
Payments for settlement of derivatives		(310)	-
Dividends paid	6	(3,257)	-
Dividends paid to outside equity interests	6	(481)	(358)
<b>Net cash used in financing activities</b>		<b>(23,808)</b>	(29,243)
Net increase in cash and cash equivalents		659	1,777
Cash and cash equivalents at 1 July		5,071	3,294
<b>Cash and cash equivalents at 30 June</b>		<b>5,730</b>	5,071

## Discussion and analysis of the statement of cash flows

For the year ended 30 June 2010

Cash flows from operating activities increased by \$4.7 million to \$23.2 million mainly due to cash generated from trading (EBITDA and working capital initiatives) of \$3.5 million and also reduced interest paid of \$2.0 million from reduced debt levels. Taxation moved from a tax receipt of \$0.8 million in the previous year to a tax paid of \$0.1 million in the current year in respect of gaskets manufacturing.

Cash flows from investing activities declined by \$11.2 million to \$1.3 million. The income from sale of property, plant and equipment declined \$13.4 million to \$3.3 million representing the sale of three smaller properties in the current year compared to eight in the previous year. Expenditure on plant and equipment increased by \$1.0 million to \$2.0 million but remained below the depreciation level. Expenditure on intangible assets (the computer system) declined from \$3.2 million to \$0.1 million representing the completion of the project.

Cash flows from financing activities are evident from the cash flow statement and relates largely to net repayment of borrowings, dividends paid and a small amount in respect of shares under the buy back provisions.

The notes on pages 16 to 23 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010

## 1. Basis of preparation of concise financial report

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

The financial report is prepared on the historical cost basis except that derivative financial instruments and share based payments are stated at their fair value.

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

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

The presentation currency is Australian dollars.

## 2. Accounting estimates and judgements

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

Management discussed and agreed with the Audit and Risk Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant affect on the amount recognised in the financial statements are described in the following notes of the full financial statements:

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

## 3. Changes in accounting policies

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

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

## 4. Segment reporting

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

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 4. Segment reporting (continued)

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

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

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

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 4. Segment reporting (continued)

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

#### *In thousands of AUD*

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

#### Other material items 2010

#### *In thousands of AUD*

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



# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 4. Segment reporting (continued)

### Other material items 2009

#### *In thousands of AUD*

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

## 5. Individually material items included in income statement

### Continuing operations

#### *In thousands of AUD*

	Consolidated	
	2010	2009
Impairment loss on goodwill	-	(6,880)
Impairment loss on property, plant and equipment	(131)	-
Net gain on sale of land & buildings	2,061	11,337
Redundancy	(387)	(1,177)
Restructuring costs	(131)	-
Additional increase in provisions <sup>(i)</sup>	(1,726)	(4,510)
	(314)	(1,230)

### Discontinued operations

#### *In thousands of AUD*

	Note	Consolidated	
		2010	2009
Restructuring costs	7	387	(2,609)
		387	(2,609)

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

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 6. Capital and reserves

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

*In thousands of AUD*

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

**Amounts are stated net of tax**

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 6. Capital and reserves (continued)

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

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

**Amounts are stated net of tax**

# Notes to the Consolidated Financial Statements For the year ended 30 June 2010 (continued)

## 6. Capital and reserves (continued)

### Translation reserve

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

### Hedging reserve

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

### Realisation reserve

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

### Share based payments reserve

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

### Dividends

The following dividends were declared and paid by the Group:

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

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

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

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



# Notes to the Consolidated Financial Statements **For the year ended 30 June 2010 (continued)**

## 7. Discontinued operations

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

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

### *In thousands of AUD*

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

## 8. Contingencies

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

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

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

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

# Directors' Report

The directors present their report together with the financial report of Coventry Group Ltd (the "Company") and of the Group, being the Company and its subsidiaries for the year ended 30 June 2010.

## 1. Directors

### Information on Directors

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

#### *Independent, non-executive directors*

Barry Frederick Nazer

Joseph Boros (resigned 30 October 2009)

John Harold Nickson

Kenneth Royce Perry (appointed 18 September 2009)

#### *Executive directors*

Roger Baden Flynn – Executive Chairman

Vince Scidone

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

### Directors' Interests

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

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

# Directors' Report (continued)

## 1. Directors (continued)

During the 2009/10 financial year and as at the date of this report no director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the Corporations Act 2001, except as follows:

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

## Directors' Meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee, held during the year ended 30 June 2010, and the number of meetings attended by each director.

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
BF Nazer	15	14	4	4	-	-	-	-
J Boros	6	6	1	1	2	2	-	-
JH Nickson	15	15	4	4	3	3	-	-
KR Perry	11	10	3	3	1	1	-	-
RB Flynn	15	15	-	-	-	-	-	-
V Scidone	15	13	-	-	-	-	-	-

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

# Directors' Report (continued)

## 2. Principal activities

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

### Automotive Parts

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

### Industrial Products

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

### Gasket Manufacturing

- manufacture and distribution of automotive and industrial gaskets.

## 3. Consolidated results

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

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

# Directors' Report (continued)

## 4. Dividends

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

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

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

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

## 5. Review of operations and results

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

## 6. Earnings per share

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

## 7. Significant change in the company's affairs

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

## 8. Events subsequent to reporting date

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

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

in future years.



## Directors' Report *(continued)*

### 9. Likely developments

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

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

### 10. Remuneration report

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

Remuneration is referred to as compensation throughout this remuneration report.

#### 10.1 Key Management Personnel (KMPs)

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

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

#### Non-executive directors

BF Nazer

J Boros (resigned 30 October 2009)

JH Nickson

KR Perry (appointed 18 September 2009)

#### Executive directors

RB Flynn, Executive Chairman

V Scidone, Director and Group General Manager – Industrial

#### Executives

AP Hockley, Chief Financial Officer & Company Secretary (resigned as Company Secretary on 11 May 2010)

MW Ridley, Chief Information Officer

MJ Hurley, Group General Manager – Automotive

JE Robinson, General Manager – Fasteners

J Colli, Company Secretary

# Directors' Report (continued)

## 10. Remuneration report (continued)

### 10.2 Principles used to determine the nature and amount of compensation

#### Non-executive directors

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

#### Directors' fees

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

As at 30 June 2010 the non-executive directors fees were allocated as follows (does not include statutory superannuation contributions):

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

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

#### Executive pay

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

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

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

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

## Directors' Report *(continued)*

### 10. Remuneration report *(continued)*

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

##### Fixed annual compensation

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

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

##### Performance linked compensation

###### Short-term incentives

Short-term cash incentives of up to 25% of fixed annual compensation (35% for the Executive Chairman) are payable to the senior executives upon the achievement of various annual performance targets, which currently include net profit after tax, dividends paid, changes in share price and other key performance indicators (for certain executives on a consolidated basis and for others on a business unit basis). Such targets ensure that incentives are principally paid when value has been created for shareholders and when profit is above the budget. Discretionary bonuses may be paid when authorised by the Remuneration Committee. For the 2009 and 2010 financial years the short-term incentive was uplifted by 50% (i.e. 37.5% of fixed annual compensation for senior executives and 52.5% for the Executive Chairman) in lieu of a long-term incentive offer.

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

###### Long-term incentives

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

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

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

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

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

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

# Directors' Report *(continued)*

## 10. Remuneration report *(continued)*

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

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

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

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

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

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

### Consequences of performance on shareholder wealth

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

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

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

# Directors' Report (continued)

## 10. Remuneration report (continued)

### 10.3 Details of compensation

The following table provides the details of the nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2010.

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

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

(ii) Resigned 30 October 2009.

(iii) Appointed 18 September 2009.



# Directors' Report (continued)

## 10. Remuneration report (continued)

### 10.3 Details of compensation (continued)

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

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

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

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

# Directors' Report (continued)

## 10. Remuneration report (continued)

### 10.3 Details of compensation (continued)

The following table provides the details of the nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2009.

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

# Directors' Report (continued)

## 10. Remuneration report (continued)

### 10.3 Details of compensation (continued)

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

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

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

(ii) Resigned 11 September 2008.

(iii) Appointed 15 October 2008.

### 10.4 Analysis of bonuses included in compensation

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

## Directors' Report *(continued)*

### 10. Remuneration report *(continued)*

#### 10.5 *Employment contracts*

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

RB Flynn, Executive Chairman

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

V Scidone, Executive Director and Group General Manager – Industrial

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

AP Hockley, Chief Financial Officer and Company Secretary

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

# Directors' Report *(continued)*

## **10. Remuneration report (continued)**

### **10.5 Employment contracts (continued)**

MW Ridley, Chief Information Officer

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

MJ Hurley, Group General Manager – Automotive

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

JE Robinson, General Manager - Fasteners

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

J Colli, Company Secretary

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



## Directors' Report *(continued)*

### 10. Remuneration report *(continued)*

#### 10.6 Options over shares granted as compensation

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

### 11. Environmental regulation

The Group is not subject to any specific environmental regulation.

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

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

For the financial year ended 30 June 2010 and as at the date of this report, the Group has not been prosecuted nor incurred any infringement penalty for environmental incidents.

### 12. Insurance of officers

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

### 13. Corporate governance

The Statement of Corporate Governance Practices as disclosed on pages 40 to 49 of the Concise Annual Report sets out the Company's main corporate governance practices throughout the financial year and as at the date of this report.

### 14. Share options

#### Options granted to directors and key management personnel

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

### 15. Non-audit services

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

# Directors' Report (continued)

## 15. Non-audit services (continued)

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

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 5 to the full financial report.

## 16. Lead auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 52 of the Concise Annual Report and forms part of this directors' report.

## 17. Company secretaries

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

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

## 18. Rounding off

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

Signed in accordance with a resolution of the directors.



R B Flynn  
Executive Chairman

Perth  
27 August 2010

# Statement of Corporate Governance Practices

## INTRODUCTION

This statement is dated 27 August 2010 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2009/10 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.

In August 2007 the ASXCGC released a revised set of principles and recommendations for good corporate governance following a review of those initial principles and recommendations. This has resulted in 8 principles being established which came into effect from the first financial year starting on or after 1 January 2008.

ASXCGC's paper on the revised principles and recommendations refers to corporate governance as:

"the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled by corporations. It encompasses the mechanisms by which companies and those in control, are held to account. Corporate governance 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 encompasses the ASXCGC's revised principles and recommendations on corporate governance and should be read in conjunction with CGL's concise annual report.

CGL's website is [www.cgl.com.au](http://www.cgl.com.au). Most policies and documents underlying CGL's corporate governance practices can be found at this site.

## ASXCGC Principle 1

Lay solid foundations for management and oversight.

Companies should establish and disclose the respective roles and responsibilities of board and management.

## ASXCGC Recommendation 1.1

Companies should establish the functions reserved for the board and those delegated to senior executives and disclose these functions.

## 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, Mr 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 relationship with customers and suppliers, and other operational matters. There are separate policies covering capital expenditure and treasury transactions. The policies are amended and updated as circumstances arise.

## **ASXCGC Recommendation 1.2**

Companies should disclose the process for evaluating the performance of senior executives.

### **CGL Practice**

Arrangements are in place to monitor the performance of senior executives of the Company. The direct reports to the chief executive officer have formal reviews at least once a year. Performance is measured against previously agreed objectives/key performance indicators (KPI's). Apart from reviewing KPI's, the performance appraisal also considers leadership competencies, areas of improvement, training and development as well as career aspirations.

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.

## **ASXCGC Recommendation 1.3**

Companies should provide the information indicated in the Guide to reporting on Principle 1.

### **CGL Practice**

The information required for reporting on Principle 1 has been disclosed by the Company.

## **ASXCGC Principle 2**

Structure the board to add value.

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

## **ASXCGC Recommendation 2.1**

A majority of the board should be independent directors.

### **CGL Practice**

The board presently consists of five directors. Three 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 24 of the concise annual report.

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

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

## Statement of Corporate Governance Practices (continued)

“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 2009/10 financial year the following changes occurred to the composition of the board:

- Mr K R Perry was appointed on 18 September 2009
- Mr J Boros resigned on 30 October 2009

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

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

The board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience as outlined on page 8 of the concise annual report.

To assist the board in discharging its responsibilities, the board has established the following board committees:

- audit & risk committee
- remuneration committee
- nomination committee

### **ASXCGC Recommendation 2.2**

The chair 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 R B Flynn, given his relevant past experience and achievements combined with his knowledge of the Company, its people and its operations. The board is still supportive of this position. The three 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 chair and the chief executive officer should not be exercised by the same individual.

#### **CGL Practice**

With the appointment of Mr R B Flynn as executive chairman in April 2007 the roles of chairperson and the chief executive officer are exercised by the same person. Accordingly the Company does not comply with this recommendation.

Refer to comments for CGL Practice under ASXCGC Recommendation 2.2.

# Statement of Corporate Governance Practices (continued)

## **ASXCGC Recommendation 2.4**

The board should establish a nomination committee.

### **CGL Practice**

The board has established a nomination committee.

The members of the nomination committee are:

- R B Flynn (Chairman), executive chairman
- B F Nazer, independent non-executive director
- J Boros, independent non-executive director (a member until 30.10.09)
- K R Perry, independent non-executive director (appointed a member on 30.10.09)

The committee has a formal charter.

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

## **ASXCGC Recommendation 2.5**

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

### **CGL Practice**

The board 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. Such a review has been undertaken during the 2009/10 financial year.

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

## **ASXCGC Recommendation 2.6**

Companies should provide the information indicated in the Guide to reporting on Principle 2.

### **CGL Practice**

The information required for reporting in Principle 2 has been disclosed by the Company.

## **ASXCGC Principle 3**

Promote ethical and responsible decision making.

Companies should actively promote ethical and responsible decision making.



# Statement of Corporate Governance Practices (continued)

## ASXCGC Recommendation 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- 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

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or summary of that policy.

### 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 considered at the monthly senior management team meetings, which includes all direct reports to the chief executive officer.

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 laws which prohibit 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.

## ASXCGC Recommendation 3.3

Companies should provide the information indicated in the Guide to reporting on Principle 3.

### CGL Practice

The information required for reporting on Principle 3 has been disclosed by the Company.

## ASXCGC Principle 4

Safeguard integrity in financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

# Statement of Corporate Governance Practices (continued)

## **ASXCGC Recommendation 4.1**

The board should establish an audit committee.

### **CGL Practice**

The board has established an audit & risk committee.

## **ASXCGC Recommendation 4.2**

The audit committee should be structured so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

### **CGL Practice**

The members of the audit & risk committee are:

- B F Nazer (Chairman), independent non-executive director
- J Boros, independent non-executive director (a member until 30.10.09)
- J H Nickson, independent non-executive director
- K R Perry, independent non-executive director (appointed a member on 30.10.09)

The chief executive officer, internal and external auditors and the chief financial officer attend meetings by invitation.

Details of the experience of the members of the committee are set out on page 8 of the concise annual report and indicate that each is suitably qualified to be a member of the audit & risk committee.

## **ASXCGC Recommendation 4.3**

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 committee's charter can be viewed on the Group's website, under the tab – "Investor Relations, Corporate Governance Summary".

## **ASXCGC Recommendation 4.4**

Companies should provide the information indicated in the Guide to reporting on Principle 4.

# Statement of Corporate Governance Practices (continued)

## **CGL Practice**

The information required for reporting on Principle 4 has been disclosed by the Company.

The selection and appointment of the external auditor involves a formal tender process. The successful candidate is then put at the next annual general meeting of the Company for approval by shareholders. This process was last undertaken in 2003. External audit engagement partners are rotated every 5 years.

## **ASXCGC Principle 5**

Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all internal matters concerning the company.

### **ASXCGC Recommendation 5.1**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

## **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.

### **ASXCGC Recommendation 5.2**

Companies should provide the information indicated in the Guide to reporting on Principle 5.

## **CGL Practice**

The information required for reporting on Principle 5 has been disclosed by the Company.

## **ASXCGC Principle 6**

Respect the rights of shareholders.

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

### **ASXCGC Recommendation 6.1**

Companies should design a communications policy for promoting effective communication with shareholders and encourage their effective participation at general meetings and disclose their policy or a summary of that policy.

# Statement of Corporate Governance Practices (continued)

## **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](http://www.cgl.com.au)) where all key notices, policies and documents are posted; and
- a direct link from the Company's website to Computershare Investor Services, the Company's share registry service provider.

The board encourages full participation by shareholders at the annual general meeting to ensure a high level of accountability and understanding of the Group's strategy and goals. Important issues are presented to shareholders as single resolutions. Shareholders are encouraged to submit written questions to the board prior to the annual general meeting. The executive chairman's address at the annual general meeting is simultaneously released to the ASX and posted on the website.

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

## **ASXCGC Recommendation 6.2**

Companies should provide the information indicated in the Guide to reporting on Principle 6.

## **CGL Practice**

The information required for reporting on Principle 6 has been disclosed by the Company.

## **ASXCGC Principle 7**

Recognise and manage risk.

Companies should establish a sound system of risk oversight and management and internal control.

## **ASXCGC Recommendation 7.1**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

## **CGL Practice**

In November 2008, the Company established a policy for the oversight and management of material business risks. The policy titled Risk Management Policy and Methodology (CORP600) can be viewed on the Group's website under the tab – "Investor Relations, Corporate Governance Summary".

The Board via the audit & risk committee has reviewed and approved this policy, and is satisfied that management has implemented a sound system of risk management and internal control.

## **ASXCGC Recommendation 7.2**

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

## **CGL Practice**

The Company has an independent internal audit function which (on behalf of management) appraises the adequacy and effectiveness of the Company's risk management and internal control system on an ongoing basis.

## Statement of Corporate Governance Practices **(continued)**

The board receives and reviews the results of these appraisals via the audit & risk committee.

The Company has established a Group risk register which includes material business risks.

A Group risk update is provided at each audit & risk committee meeting. In addition risk is a standing agenda item at each board and monthly senior management team meetings.

### **ASXCGC Recommendation 7.3**

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **CGL Practice**

The board has received assurance from the executive chairman and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is mostly operating efficiently and effectively in all material respects in relation to financial reporting risks and where not so operating, is being brought into compliance.

### **ASXCGC Recommendation 7.4**

Companies should provide the information indicated in the Guide to reporting on Principle 7.

### **CGL Practice**

The information required for reporting on Principle 7 has been disclosed by the Company.

### **ASXCGC Principle 8**

Remunerate fairly and responsibly.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

### **ASXCGC Recommendation 8.1**

The board should establish a remuneration committee.

### **CGL Practice**

The board has established a remuneration committee.

The members of the remuneration committee are:

- J Boros, independent non-executive director (chairman until 30.10.09)
- J H Nickson, independent non-executive director (appointed chairman on 30.10.09)
- K R Perry, independent non-executive director (appointed a member on 30.10.09)

Whilst the Company complies with the recommendation that the committee consists of a majority of independent directors and is chaired by an independent director, it does not comply with the requirement of at least three members. The Company is of the view that given its relative size and operations and composition of the board, a remuneration committee of two members is adequate to discharge its responsibilities.

# Statement of Corporate Governance Practices **(continued)**

The committee has a formal charter.

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 committee's charter can be viewed on the Group's website, under the tab – "Investor Relations, Corporate Governance Summary".

## **ASX Recommendation 8.2**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior 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 28 to 38 of the concise annual report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the remuneration report on pages 28 to 38 of the concise annual report.

## **ASXCGC Recommendation 8.3**

Companies should provide the information indicated in the Guide to reporting on Principle 8.

### **CGL Practice**

The information required for reporting Principle 8 has been disclosed by the Company.

## Directors' Declaration

1. In the opinion of the directors of Coventry Group Ltd, the accompanying concise financial report of the Group, comprising Coventry Group Ltd and its controlled entities, for the financial year ended 30 June 2010 as set out on pages 10 to 23:

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

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

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'R B Flynn', with a horizontal line extending to the right.

R B Flynn  
Executive Chairman

Perth  
27 August 2010

# Lead Auditor's Independence Declaration



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

To: the directors of Coventry Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

A stylized, handwritten signature of the KPMG firm.

KPMG

A handwritten signature of Denise McComish.

Denise McComish  
*Partner*

Perth  
27 August 2010

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



# Independent Auditor's Report



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

### **Report on the concise financial report**

The accompanying concise financial report of the Group' comprising Coventry Group Ltd (the Company) and its controlled entities comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes 1 to 7 derived from the audited financial report of Coventry Group Ltd for the year ended 30 June 2010 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

### *Directors' responsibility for the financial report*

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

### *Auditor's responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Coventry Group Ltd for the year ended 30 June 2010. Our audit report on the financial report for the year was signed on 27 August 2010 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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# Independent Auditor's Report (continued)



## *Auditor's opinion*

In our opinion, the concise financial report of Coventry Group Ltd and its controlled entities complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

## **Report on the remuneration report**

We have audited the remuneration report included in section 10 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Coventry Group Ltd for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Denise McComish, written in black ink.

Denise McComish  
*Partner*

Perth  
27 August 2010

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# Shareholder Information as at 31 August 2010

## TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1. RBC Dexia Investor Services Australia Nominees Pty Limited (BK Cust A/C)	6,544,313	16.41
2. National Nominees Limited	3,101,200	7.78
3. Australian Foundation Investment Company Limited	1,650,000	4.14
4. Dorsett Investments Pty Ltd	1,484,761	3.72
5. Swanwall Holdings Pty Ltd	1,408,535	3.53
6. HSBC Custody Nominees (Australia) Limited	1,252,528	3.14
7. Citicorp Nominees Pty Limited	1,054,830	2.65
8. Anne Kyle	1,000,000	2.51
9. Devadius Pty Ltd	836,619	2.10
10. Cogent Nominees Pty Limited	770,671	1.93
11. Argo Investments Limited	740,703	1.86
12. McCusker Holdings Pty Ltd	734,511	1.84
13. Citicorp Nominees Pty Limited (CFSIL Cwlth Aust SHS 14 A/C)	705,184	1.77
14. Sandhurst Trustees Ltd (SISF A/C)	663,473	1.66
15. Gwynvill Trading Pty Ltd	400,000	1.00
16. Forum Investments Pty Ltd	372,539	0.93
17. JP Morgan Nominees Australia Limited	371,199	0.93
18. Clifford Maxwell Kyle	331,208	0.83
19. Geoffrey Michael Kyle	317,500	0.80
20. Buduva Pty Ltd	300,000	0.75
	<hr/> 24,039,774	<hr/> 60.28

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1,000	1,160	38.42	439,131	1.10
1,001 to 5,000	1,227	40.64	3,091,307	7.75
5,001 to 10,000	315	10.43	2,276,846	5.71
10,001 to 100,000	277	9.18	7,123,362	17.86
100,001 and over	40	1.33	26,948,419	67.58
	<hr/> 3,019	<hr/> 100.00	<hr/> 39,879,065	<hr/> 100.00
Unmarketable parcel of shares	501	16.59	40,272	0.10

## Shareholder Information as at 31 August 2010 (continued)

### SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 31 August 2010.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Investors Mutual Limited	7,727,328	21.08.2007

### UNQUOTED EQUITY SECURITIES

	Number of Options	Number of Holders
Options issued under the Executive Long Term Incentive Plan		
Executive Chairman Options		
- options expiring on 4 November 2012	500,000	1
Executive Options		
- options expiring on 22 November 2012	300,000	4

### VOTING RIGHTS

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

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

# Corporate Directory

## **Coventry Group Ltd**

ABN 37 008 670 102

### **Registered and Principal Administrative Office**

525 Great Eastern Highway  
Redcliffe, Western Australia 6104  
Telephone: (08) 9276 0111  
Facsimile: (08) 9436 5406

### **Postal Address**

PO Box 740  
Cloverdale, Western Australia 6985

### **Web Site**

[www.cgl.com.au](http://www.cgl.com.au)

### **Secretary**

J Colli

### **Bankers**

Westpac Banking Corporation

### **Auditors**

KPMG  
Level 8  
235 St. George's Terrace  
Perth, Western Australia 6000

### **Share Registry**

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

### **Securities Exchange Listing**

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

### **Shareholder Enquiries/Change of Address**

Shareholders wishing to enquire about their shareholdings, dividend payments, or change their address should contact the Company's share registry.



