COVENTRY GROUP LTD

ABN 37 008 670 102

CONCISE ANNUAL REPORT

2011

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Five Year Financial Overview

YEAR ENDED 30 JUNE		2007	2008	2009	2010	2011	% Change	
Revenue from sale of goods	($M)	468.3	448.8	419.1	393.1	**395.6** [1]	0.6	▲
Profit/(loss) before tax [2]	($M)	22.3	6.8	16.2	11.9	**7.4**	37.8	▼
Profit/(loss) before tax [3]	($M)	1.9	4.3	1.0	9.9	**(17.9)**	(280.8)	▼
Profit/(loss) after tax [3]	($M)	(1.2)	6.9	(1.0)	7.0	**(16.8)**	(340.0)	▼
Earnings/(loss) per share [4]	(cents)	(3.8)	16.6	(3.6)	16.3	**(43.4)**	(366.3)	▼
Dividends per share	(cents)	17.0	-	5.0	14.0	**22.0**	57.1	▲
Net tangible assets per share	($)	3.21	3.24	3.30	3.39	**3.38**	(0.3)	▼
Operating cash flow	($M)	10.0	11.8	18.5	23.2	**7.6**	(67.2)	▼
Return on equity [2]	(%)	8.0	4.4	1.0	3.9	**4.5**	15.4	▲
Net interest bearing debt/(cash)	($M)	75.5	45.8	15.1	(4.9)	**(7.1)**	44.9	▲
Gearing (net debt to equity) [5]	(%)	44.9	26.5	8.9	n/a	**n/a**	n/a	
Interest cover [5]	(times)	4.9	2.5	2.5	n/a	**n/a**	n/a	
Share price (30 June)	($)	4.50	1.91	0.91	1.85	**2.30**	24.3	▲
Market capitalisation (30 June)	($M)	177.3	75.3	35.9	73.8	**92.0**	24.7	▲

1 from continued and discontinued operations
2 before material items and minority interest
3 before minority interest
4 basic
5 ratios are not applicable (n/a) for those years where the Group has cash holdings greater than debt

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About Coventry Group

Coventry Group Ltd was incorporated in 1936 and has been listed on the ASX since 1966 (ASX Code: CYG).

We are principally a distributor of industrial products and operate throughout Australia and New Zealand with 4 distinctive businesses which trade as:

- Coventry Fasteners (in New Zealand as Hylton Parker Fasteners)
- Cooper Fluid Systems
- Artia
- AA Gaskets (in New Zealand as NZ Gaskets)

We employee around 850 people with a network of 71 branches/ distribution centres.

2011 Year in Brief

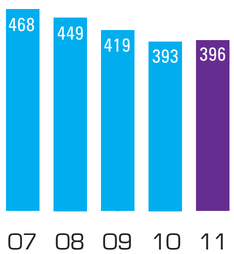
Financial

- revenue from continuing operations up 1.4% to $229.4 million
- trading EBIT from continuing businesses of $7.8 million
- profit before tax and material items of $7.4 million
- loss after tax of $16.8 million following the write-off of intangibles of $24.2 million
- final dividend of 11 cents per share fully franked resulting in total fully franked dividends of 22 cents per share – compared to 14 cents for the previous year

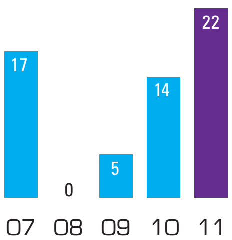
Operations

- sale of Western Australian and South Australian automotive businesses at a premium to net asset backing
- strong performance by the gasket manufacturing and distribution business
- fluids business also achieved a strong performance though this was offset by weak performances by the fastener and hardware businesses which operated in tough market conditions

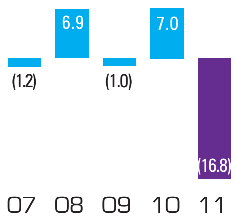
Revenue
$ million



Dividends per share
cents

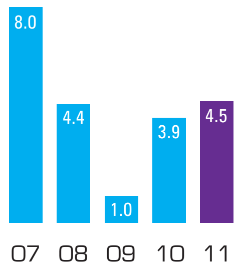


Profit/(loss) after tax (a)
$ million



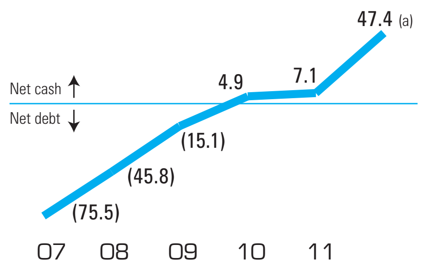
(a) after material items and minority interest

Return on equity (a)
%



(a) before material items and minority interest

Net cash/(net debt)
$ million



(a) as at 31 Aug 2011 - unaudited

Overview of Businesses

Business Name	Principal Activities	Year in Brief
Coventry Fasteners	distribution and marketing of: • industrial fasteners • stainless steel fasteners and hardware • construction fasteners • specialised fastener products and systems • associated industrial tools and consumables	• trading conditions continue to be difficult • restructure initiatives implemented across the business to reduce costs • launch of Boltshop – an online trading facility
Cooper Fluid Systems	• design and installation of lubrication systems • distribution of hose, connectors, fittings and hydraulic hose assemblies • distribution and service of hydraulic tools • design and supply of service truck components • installation of fire suppression systems • design and distribution of fluid handling systems, pneumatic component sales and sale of hydraulic associated products and consumables • rock hammer service and repairs	• strong improvement in profitability of the business • growth positively impacted by the exposure of the business to the resources sector

Coventry Fasteners supplied a range of studbolts to the Pluto WA LNG project

Overview of Businesses
(continued)

Business Name	Principal Activities	Year in Brief
Artia	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	• business relocated to new distribution centre in Melbourne • operating in a tough trading environment • cost initiatives and new distribution centre to provide platform for improved performance
AA Gaskets	• manufacture and distribution of automotive and industrial gaskets	• good trading result achieved • continued product improvement with the first market release of high quality gaskets and seal products

AA Gaskets is a leading manufacturer of a broad range of premium quality gaskets

Cooper Fluid Systems is a specialist provider of hydraulic, pnuematic, fluid transfer and lubrication products and services

Executive Chairman's Report

Dear Shareholder

On behalf of your directors I present Coventry Group's 2011 concise annual report.

Financial Performance

The 2010/11 financial year was one of major transition for the Group with the exit from the automotive industry. This involved the sale of the automotive businesses in Western Australia and South Australia – both at premiums to their net asset backing and thus releasing substantial cash for the Company that was tied up in underperforming businesses.

Whilst revenue from continuing operations increased marginally to $229.4 million, the Group recorded a net loss after tax of $16.8 million caused by a write-off of intangibles (primarily impairment losses on goodwill associated with the fastener division). On a more positive note the Group is in a strong cash position.

The following table shows a number of key financial indicators for the 2010/11 year.

> Artia supplies cabinet and furniture hardware to domestic and commercial projects

The fluids and hydraulics business continued to show strong growth due to its exposure to the resources sector. However the fastener business is Australia and New Zealand experienced tough market conditions with decreased market demand, strong competition and natural disasters all having a negative impact. Initiatives are being implemented to ensure the business will improve as the economy generally recovers.

Artia, the cabinet and furniture hardware business, recorded a loss principally due to lower demand and costs associated with rationalising its distribution centre in Melbourne. However it is expected that this will now provide a solid base for future growth.

	Year ended 30.06.11	**Year ended 30.06.10**	**% Change**
Revenue from continuing operations ($M)	229.4	226.2	+1.4
Profit/(loss) before tax ($M)[1]	7.4	11.9	-37.8
Profit/(loss) from continuing operations ($M)	(17.4)	4.3	
Net profit/(loss) ($M)	(16.8)	7.0	
NTA per share ($)	3.38	3.39	-0.3
Net cash ($M)	7.1	5.7	+24.6
Dividend (cents)	22.0	14.0	+57.1
EPS - basic (cents)	(43.4)	16.3	

1 before material items

Executive Chairman's Report
(continued)

The gaskets business continued to achieve strong operational results.

The automotive business which the Company has exited recorded a loss for the year.

Gearing and Cash Flow

With the sale of the automotive businesses, the Group is in a strong cash position. For the 2010/11 financial year, the net cash position increased from $5.7 million to $7.1 million. Since the end of the financial year, the cash position has significantly improved following settlement of the sale of the Western Australian automotive business. The planned sale of the Group's freehold properties will also enhance the Group's cash. This will place the Company in a strong position to capitalise on any growth and expansion initiatives.

Dividend

The directors have declared a final dividend of 11 cents per share, fully franked, payable on 23 September 2011 with a record date of 8 September 2011. This results in total dividends of 22 cents per share, fully franked, in respect of the current year compared to 14 cents per share for the previous year. With the Company's strong cash position, the dividend reinvestment plan will continue to be suspended for this dividend.

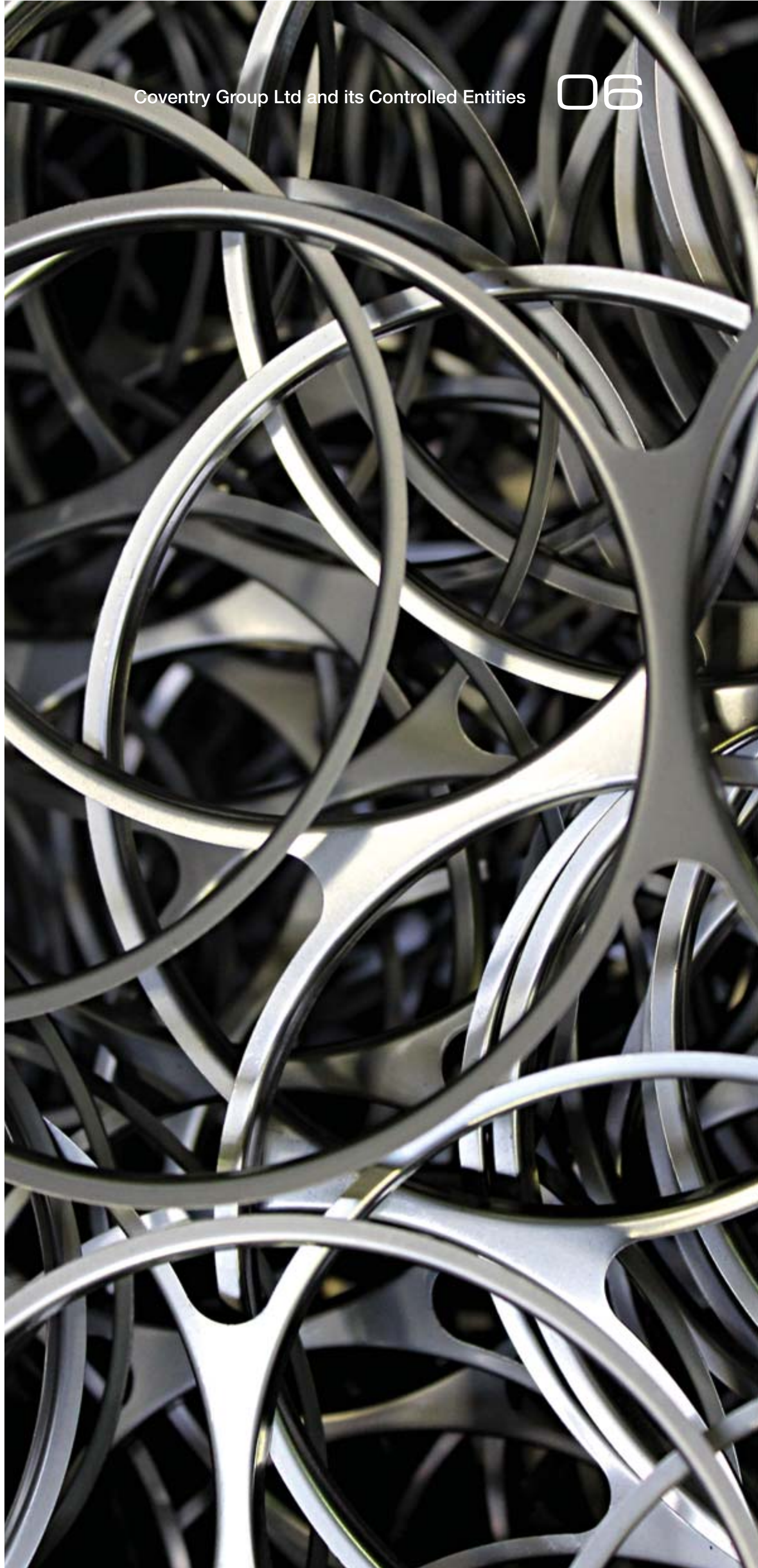
Review of Businesses

Industrial Products Distribution

Revenue for the industrial products business increased 1.5% to $218.3 million compared to the previous year. A loss before interest and tax of $16.8 million was recorded compared to a profit of $5.7 million for the previous year. However, the results for both years were adversely affected by materially significant items of a non-recurrent nature which totalled $21.8 million for the current year and $2.1 million for last year. Details of the significant items are set out in note 2 to the full consolidated financial statements and, in the main, relate to impairment losses on goodwill, restructuring and redundancy costs and provisions for doubtful debts and obsolete stock.

The performance of the business unit continues to be impacted by the poor trading results of the fastener division. The continuing impact of the global economic crisis was felt across the fastener customer base but most acutely in construction – both domestic and commercial/industrial and government infrastructure areas. The division suffered from selling price deflation as the increased strength of the Australian dollar was passed to customers as competition heated for a smaller available market. The results were particularly adversely affected in the states of South Australia, Victoria, New South Wales and Queensland whilst Western Australia was stronger, buoyed by increased resources activity. The division's activities in New Zealand also showed decline in both revenues and profitability due to the on-going economic recession. Data both from international and Australian based companies and economic indicators recognise that the results achieved were in line with the general experience of all companies in the market place. As a consequence of the poor trading results of this division all goodwill related to the fastener businesses which amounted to $21.1 million was deemed impaired. The business also addressed its cost base leading to restructure and redundancy costs amounting to $0.7 million.

The Cooper Fluid Systems division had a strong increase both in revenue and profitability. The Queensland based business showed revenue and profit growth primarily due to resource based activity in Far North Queensland. The business in Western Australia and South Australia similarly showed strong growth in both revenue and profitability primarily from resource based activity.



The cabinet and furniture hardware division which trades as Artia declined in revenue and recorded a loss. In Australia the business rationalised to one distribution centre based in Melbourne. The costs associated with that move when combined with tough market conditions were the main reasons for the operating loss. The division's small activities in New Zealand recorded a loss for the year as it struggled in an economy in recession. The establishment of the single, modern distribution centre will give the business a strong foundation on which to build future growth and profitability.

Automotive Parts Distribution

The automotive parts business recorded revenue of $166.8 million compared to $167.6 million for the previous year. A loss before interest and tax of $1.9 million was recorded compared to a profit of $3.5 million for the previous year.

The Company has exited the automotive parts business. The South Australian operations were sold to Burson Automotive Pty Ltd with the transaction completing in May 2011. The Western Australian operations were sold to Automotive Holdings Group Limited with an agreement signed in May 2011 and the transaction completing on 1 July 2011.

Gaskets Manufacturing

The Company's controlled entity, AA Gaskets Pty Ltd, recorded revenue of $12.7 million – a marginal decline of 0.5% on the previous year. The business performed strongly in Australia. In New Zealand the results were pleasing but were a decline on the previous year, reflecting the adverse economic conditions of that country.

Coventry Fasteners supplied a range of fasteners to the Melbourne Rectangular Stadium project

Executive Chairman's Report
(continued)

Board Matters

At this year's AGM, Messrs John Nickson and Vince Scidone will retire in accordance with the Company's constitution as the longest serving directors since last being re-elected. Both being eligible, offer themselves for re-election. Another item requiring consideration at the AGM is renewal of the proportional takeover provisions of the Company's Constitution. Legislation requires that the provisions be refreshed every 3 years.

People

With a tough economic environment and the Company experiencing a period of transition, the contribution and commitment from our employees is paramount.

Safety across all levels of the Group's business is a priority with a focus on adherence to policies and procedures. Management KPIs are linked to safety performance. The Company is reviewing its occupational health and safety (OHS) policies to ensure they align with the new OHS legislation which comes into effect in January 2012. Turnover during the year has remained relatively constant.

Training and development continues to be supported across all businesses to ensure retention and development of future leaders and create an environment of improved knowledge and better recruitment processes.

During the year eligible staff (with at least 3 years service with the Company) received an offer of shares pursuant to the Company's recently introduced employee share plan. Subject to the Company's performance, the Board intends to consider further offers to eligible staff which is seen as an initiative to align employees' interests to those of shareholders to improve the Company's overall performance.

Outlook

The overall Group result will continue to be heavily influenced by the level of general economic activity in both Australia and New Zealand, which other than for the resources sector is expected to be subdued.

The funds released from the sale of the automotive business and progressively from the sale of freehold properties will provide the Group with the ability to respond swiftly to the growth opportunities both organic and external which are being investigated and progressed at present.

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 during a period of transition and challenging economic environment.

Roger B Flynn
Executive Chairman

Cooper Fluid Systems provides sales, installation and service of ETI fire suppression systems for use in the mining sector

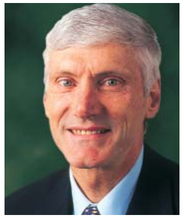
Board of Directors

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 42 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, ANZIIF (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 has been Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility since January 2003 and retired from this position on 31 August 2011. He is also a non-executive director of VDM Group Limited and M G Kailis Group.

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

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

	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 medical research institute.

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 nomination committees

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

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

	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

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 2011

In thousands of AUD	**Note**	**Consolidated 2011**	**2010 Represented**
Continuing operations			
Revenue from sale of goods		**229,365**	226,230
Cost of sales		**(136,460)**	(132,327)
Gross profit		**92,905**	93,903
Other revenue		**1,765**	1,638
Other income		**13**	2,002
Employee benefits expense		**(54,324)**	(52,961)
Depreciation and amortisation expenses		**(3,240)**	(3,146)
Occupancy costs		**(6,825)**	(7,000)
Communication costs		**(2,231)**	(2,088)
Freight		**(7,216)**	(6,450)
Impairment of goodwill		**(21,089)**	-
Other expenses		**(16,026)**	(18,694)
Profit/(loss) before financing costs		**(16,268)**	7,204
Financial income		**382**	324
Financial expenses		**(179)**	(1,467)
Net financing costs		**203**	(1,143)
Profit/(loss) before income tax		**(16,065)**	6,061
Income tax expense		**(1,298)**	(1,779)
Profit/(loss) from continuing operations for the year		**(17,363)**	4,282
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)	7	**544**	2,693
Profit/(loss) for the year		**(16,819)**	6,975
Other comprehensive income/(loss)			
Effective portion of changes in the fair value of cash flow hedges		**-**	218
Net change in fair value of cash flow hedges transferred to profit or loss		**-**	577
Foreign currency translation differences		**(1,455)**	191
Income tax (expense)/recovery on other comprehensive income/(loss)		**-**	(298)

Discussion and analysis of the statement of comprehensive income

For the year ended 30 June 2011

The Group's total revenue from sale of goods from continuing operations increased 1.3% to $229.4 million. The Group profit after tax from continuing operations was a loss of $17.3 million compared to a profit of $4.3 million the Group recorded for last year. However results in both years are adversely affected by individually material items, as disclosed in note 4 and in this discussion and analysis; in total these expenses amounted to $25.3 million in the current year and $2.0 million last year.

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

- Automotive parts distribution business has been exited by the Group and thus the financial results are classified as discontinued in these accounts. The sale of the business in South Australia to Burson Automotive Pty Ltd was completed in May 2011 and the sale of the Western Australia business to Automotive Holdings Group Ltd was signed in May 2011 and completed on 1 July 2011.
- Industrial products distribution revenues, increased by 1.5% to $218.3 million. The result before tax was a loss of $16.7 million compared to a profit of $5.7 million for the previous year. However results in both years were adversely affected by individually material cost items as disclosed in note 4, amounting to $21.8 million in the current year and $2.1 million for last year. These results are attributable to:
    - o The Fasteners business unit which declined in revenues and profitability. 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 business area suffered from selling price deflation as the increased strength of the Australian dollar was passed to customers as competition heated for a smaller available market.

Statement of Comprehensive Income

For the year ended 30 June 2011 (continued)

		Consolidated	
In thousands of AUD	***Note***	**2011**	**2010** Represented
Other comprehensive income/(loss) for the year, net of income tax		**(1,455)**	688
Total comprehensive income/(loss) for the year		**(18,274)**	7,663
Profit/(loss) attributable to:			
Equity holders of the Company		**(17,341)**	6,474
Minority interest		**522**	501
Profit/(loss) for the year		**(16,819)**	6,975
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	6	**(18,774)**	7,167
Minority interest		**500**	496
Total comprehensive income/(loss) for the year		**(18,274)**	7,663
Earnings per share:			
Basic earnings/(loss) per share:		**(43.4) cents**	16.3 cents
Diluted earnings/(loss) per share:		**(43.4) cents**	16.3 cents
Continuing operations			
Basic earnings per share:		**(44.7) cents**	9.5 cents
Diluted earnings per share:		**(44.7) cents**	9.5 cents

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

The 2010 comparatives have been represented for discontinued operations, see note 7.

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

The results were particularly adversely affected in the states of South Australia, Victoria, New South Wales and Queensland whilst Western Australia was stronger, buoyed by increased resource activity. The business in New Zealand also showed decline in both revenues and profitability due to the on going economic recession. Data both from international and Australian based companies and economic indicators recognise that the results achieved are in line with the general experience of all companies in the market place. As a consequence of the poor trading results of this business unit all goodwill related thereto amounting to $21.1 million was deemed impaired. Also the business has attacked its cost base leading to restructure and redundancy costs amounting to $0.7 million.

- o The Cooper Fluid Systems business unit had a strong increase both in revenue and profitability. The Queensland based business showed revenue and profit growth primarily due to resource based activity in Far North Queensland. The business in Western Australia and South Australia similarly showed strong growth in both revenue and profitability primarily from resource based activity.
- o The Cabinet Hardware business unit (branded Artia) declined in revenue and the business recorded a loss. In Australia the business rationalised to one distribution centre in metropolitan Melbourne. The costs associated with that move when combined with tough market conditions were the main reason for the operating loss. The small unit in New Zealand recorded a loss for the year as it struggled in an economy in recession. The establishment of the single modern distribution centre does give the business a strong foundation on which to build future growth and profitability.
- o 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.

- The Company's controlled entity, AA Gaskets Pty Ltd, recorded revenue of $12.7 million, a marginal decline of 0.5% on the previous year.
    - o The business performed strongly in Australia. In New Zealand the results were pleasing but were a decline on the previous year, reflecting the adverse economic conditions of that country.

The basic earnings per share were a loss of 43.4 cents per share compared to a profit of 16.3 cents per share for the previous year. The Company paid total dividends of 14 cents per share, fully franked, during the year and has declared a second interim dividend of 5 cents per share which was paid on 8 July 2011.

Statement of Financial Position

For the year ended 30 June 2011

In thousands of AUD	*Note*	Consolidated 2011	2010
Assets			
Cash and cash equivalents		**7,066**	5,730
Trade and other receivables		**59,097**	63,978
Inventories		**53,173**	82,633
Assets classified as held for sale	5	**37,784**	-
Income tax receivable		**-**	31
Total current assets		**157,120**	152,372
Deferred tax assets		**13,545**	11,756
Property, plant and equipment		**17,033**	27,049
Intangible assets		**10,009**	36,109
Total non current assets		**40,587**	74,914
Total assets		**197,707**	227,286
Liabilities			
Trade and other payables		**37,593**	38,793
Interest bearing loans and borrowings		**-**	812
Employee benefits		**7,067**	10,242
Liabilities classified as held for sale	5	**3,235**	-
Income tax payable		**327**	278
Provisions		**299**	778
Total current liabilities		**48,521**	50,903
Employee benefits		**841**	1,721
Provisions		**339**	621
Total non current liabilities		**1,180**	2,342
Total liabilities		**49,701**	53,245
Net assets		**148,006**	**174,041**

Discussion and analysis of the statement of financial position

For the year ended 30 June 2011

The Group's net tangible assets have remained stable at $135.2 million. The Group's total assets decreased by 13% ($29.5 million) to $197.7 million. The principal reasons behind this decline are the impairment of goodwill in respect of Fasteners business ($21.1 million), the impairment of capitalised IT costs ($3.1 million) and the lower Australian dollar equivalent of New Zealand assets due to the strength of the Australian dollar.

An appreciation of the movement in the value of individual asset classes needs to encompass the changes brought about as a consequence of the sale of the Automotive parts distribution business and the reclassification of assets, as held for sale, in the financial statements. Major items in these movements in value are:

- Intangible assets which decreased by $26.1 million to $10.0 million. The main reasons for the decline are the impairment of goodwill in respect of Fasteners business ($21.1 million), the impairment of capitalised IT costs due to sale of the Automotive businesses ($3.1 million) and the depreciation of the Oracle ERP system in use. Capitalised expenditure on information technology systems amounted to only $0.4 million.
- A reduction in inventories of $29.4 million (35.6%) since 30 June 2010, however noting that $26.1 million is reclassified as assets held for sale. The prime reason for the decline is the sale of the South Australian automotive business.
- The reduction in property, plant and equipment of $10.0 million is primarily due to $11.7 million reclassified as assets held for sale. The Group plans to sell all property previously associated with the automotive businesses in the 12 months ended 30 June 2012. The Group's capital expenditure increased by $3.1 million to $5.1 million largely due to the transition of assets from operating lease to acquisition.

Statement of Financial Position
For the year ended 30 June 2011 (continued)

		Consolidated	
In thousands of AUD	***Note***	**2011**	**2010**
Equity			
Issued capital	6	**113,659**	113,442
Reserves	6	**23,057**	24,377
Retained earnings	6	**8,560**	33,497
Total equity attributable to equity holders of the Company	6	**145,276**	171,316
Minority interest	6	**2,730**	2,725
Total equity	6	**148,006**	174,041

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

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

- Trade and other receivables decreased by $4.9 million. The prime reason for the decline is the sale of the South Australian automotive business.
- Deferred tax assets increased by $1.8 million to $13.5 million due primarily to taxation matters related to the sale of the Western Australian automotive business.
- Cash and cash equivalents increased by $1.3 million.

Current liabilities decreased by $2.4 million to $48.5 million due principally to a decrease in trade and other payables of $1.2 million. Employee benefits remained broadly constant when the employee benefits reclassified as liabilities held for sale are taken into account and general provisions decreased by $0.6 million. The Group has repaid all borrowings thus this figure reduced by $0.8 million.

Non current liabilities decreased by $1.2 million to $1.1 million. Employee benefits decreased by $0.9 million, but some parts of this are now reclassified as liabilities held for sale. General provisions decreased by $0.3 million.

Issued capital increased by $0.2 million to $113.6 million due to the new impact from shares issued under the employee share scheme and the small number of shares purchased under the on-market buy back scheme.

Total reserves and retained earnings decreased by $26.2 million to $31.6 million mainly as a result of a decrease in retained earnings due primarily to intangible impairment, dividends and movements in the foreign currency translation reserve.

Statement of Changes in Equity

As at 30 June 2011

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

Discussion and analysis of the statement of changes in equity

For the year ended 30 June 2011

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

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

Statement of Cash Flows

For the year ended 30 June 2011

In thousands of AUD	*Note*	Consolidated 2011	2010
Cash flows from operating activities			
Cash receipts from customers		**442,818**	434,806
Cash paid to suppliers and employees		**(434,088)**	(410,355)
Cash generated from operations		**8,730**	24,451
Interest paid		**(179)**	(1,209)
Income taxes received/(paid)		**(979)**	(81)
Net cash from operating activities		**7,572**	23,161
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**772**	3,340
Interest received		**155**	45
Disposal of discontinued operation, net of cash disposed of	7	**5,389**	-
Acquisition of property, plant and equipment		**(5,072)**	(1,986)
Acquisition of intangible assets		**(395)**	(93)
Net cash from investing activities		**849**	1,306
Cash flows from financing activities			
Proceeds from borrowings		**-**	15,262
Repayment of borrowings		**(812)**	(34,684)
Payments for share buy-back	6	**(184)**	(338)
Payments for settlement of derivatives		**-**	(310)
Dividends paid	6	**(5,594)**	(3,257)
Dividends paid to outside equity interests	6	**(495)**	(481)
Net cash used in financing activities		**(7,085)**	(23,808)
Net increase in cash and cash equivalents		**1,336**	659
Cash and cash equivalents at 1 July		**5,730**	5,071
Cash and cash equivalents at 30 June		**7,066**	5,730

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

Discussion and analysis of the statement of cash flows

For the year ended 30 June 2011

Cash flows from operating activities decreased by $15.7 million to $7.5 million mainly due to the decline in cash generated from working capital initiatives which significantly boosted operating cashflows in the previous year.

Cash flows from investing activities moved to a net inflow of $0.8 million compared to an inflow of $1.3 million in the previous year. The income from sale of property, plant and equipment declined $2.6 million to $0.8 million as no appreciable sales of real estate occurred in the year compared to 3 smaller properties in the previous year. Expenditure on plant and equipment increased by $3.1 million to $5.1 million due to the policy of acquiring assets (generally motor vehicles) instead of taking operating leases. Expenditure on intangible assets (the computer system) increased by $0.3 million to $0.4 million representing expenditure on web enabling software.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

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 cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

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

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:

4. Segment reporting (continued)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011 (continued)

4. Segment reporting (continued)

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

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

4. Segment reporting (continued)

Other material items 2011

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

Other material items 2010

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2011 (continued)

5. Assets classified as held for sale

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

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

Assets classified as held for sale

In thousands of AUD	**2011**
Land and Buildings	**10,164**
Property, plant and equipment	**1,506**
Inventories	**26,114**
	37,784

Liabilities classified as held for sale

In thousands of AUD	**2011**
Employee benefits	**3,235**
	3,235

6. Capital and reserves

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

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

Amounts are stated net of tax

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011 (continued)

6. Capital and reserves (continued)

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

Amounts are stated net of tax

6. Capital and reserves (continued)

Share capital

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

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

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

Dividends

The following dividends were declared and paid by the Group:

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011 (continued)

Dividends (continued)

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

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

7. Discontinued operations

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

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

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

Assets and liabilities related to the WA sale have been classified as held for sale and disclosed in note 5.

7. Discontinued operations (continued)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011 (continued)

7. Discontinued operations (continued)

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

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

8. Contingencies

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

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

9. Events subsequent to reporting date

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

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

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

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 2011.

1. Directors

Information on Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Barry Frederick Nazer, BBus, FCPA, FFin, ANZIIF (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 has been Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility since January 2003 and will be retiring from this position on 31 August 2011. He is also a non-executive director of VDM Group Limited and M G Kailis Group. He was Chief Financial Officer and Company Secretary of WESFI Limited, a major engineered wood products manufacturer and distributor, from August 1999 until its sale in 2001. He previously spent over 10 years at the executive level of Western Australia's largest financial institution, Bank of Western Australia Limited (BankWest), including almost 9 years as Chief Financial Officer. Other listed company directorships held during the past 3 financial years: VDM Group Limited, from 1 October 2008 to current.
John Harold Nickson, B.Ec, CPA, FAICD Independent non-executive director Chairman of remuneration committee; member audit and risk committee	Mr Nickson was appointed a director of the Company in November 2007. He has over 43 years experience in the finance industry, including 35 years at Goldman Sachs JBWere (formerly J B Were and Son) until retiring in 2004. He was a Director/Partner for over 20 years. For 28 years Mr Nickson specialised in corporate advice and finance, working closely with a wide range of listed and to be listed corporations, both public and private, many in Western Australia. He is a director of a number of private companies and a committee member of a medical research institute. He held no other listed company directorships during the past 3 financial years.
Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD, FAIMM Independent non-executive director Member of audit and risk, remuneration and nomination committees	Mr Perry was appointed a director of the Company in September 2009. He was Chief Executive Officer of VDM Group Limited, a publicly listed Australian engineering, construction and contracting business until March 2011. Prior to this appointment in February 2010, Mr Perry was Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry gained over 15 years experience in senior management roles with the Rio Tinto Group, including serving as President of its Taiwanese steel mill and served as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. He subsequently worked for Resource Finance Corporation, a private merchant and investment bank specialising in the natural resources sector. Mr Perry is also a member of various private boards. Other listed company directorships held during the past 3 financial years: Brandrill Limited, from 16 August 2002 to 16 December 2009

Directors' Report
(continued)

1. Directors (continued)

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Roger Baden Flynn, B.Eng (Hons), MBA, FIE (Aust), FAICD Executive Chairman Chairman of nomination committee	Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is also a director of Hills Industries Limited. He is a former director of Wattyl Limited and Longreach Group Ltd and has had 42 board years experience on 6 listed companies. Other listed company directorships held during the past 3 financial years: Hills Industries Limited, from 1999 to current
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.

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	102,653	-
KR Perry	-	-
RB Flynn	250,496	850,000
V Scidone	29,487	250,000

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

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

1. Directors (continued)

Directors' Meetings

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

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

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

2. Principal activities

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

Automotive Parts

- distribution and marketing of automotive parts and accessories, tools and workshop equipment; mining and general industrial consumables; specialised transport and heavy haulage products.
- in May 2011 the Group sold the business and assets of its automotive parts distribution business in South Australia (which traded as Motor Traders) to Burson Automotive Pty Ltd (Burson). Completion of the sale occurred in May 2011.
- in May 2011 the West Australian (WA) automotive parts distribution business was contracted for sale to Automotive Holdings Group Limited (AHG). The profit on the sale of WA automotive parts distribution business will be recognised in the 2011-2012 financial year following completion of the sale which occurred on 1 July 2011.
- from 2 July 2011 the Group no longer has automotive parts distribution principal activities.

Directors' Report
(continued)

2. Principal activities (continued)

Industrial Products

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

Gasket Manufacturing

- manufacture and distribution of automotive and industrial gaskets.

3. Consolidated results

Results of the Group for the year ended 30 June 2011 were as follows:

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

4. Dividends

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

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

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

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

5. Review of operations and results

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

6. Earnings per share

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

7. Significant change in the company's affairs

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

Directors' Report
(continued)

8. Events subsequent to reporting date

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

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

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

9. Likely developments

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

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

10. Remuneration report

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

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs)

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

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

Non-executive directors
BF Nazer
JH Nickson
KR Perry

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

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

10. Remuneration report (continued)

10.2 Principles used to determine the nature and amount of compensation

Non-executive directors

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

Directors' fees

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

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

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

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

Directors' Report
(continued)

10. Remuneration report (continued)

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

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.

Fixed annual compensation

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

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

Performance linked compensation

Short-term incentives

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

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

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

10. Remuneration report (continued)

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

Long-term incentives

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

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

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

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

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

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

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

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

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

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

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

Directors' Report
(continued)

10. Remuneration report (continued)

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

Long-term incentives (continued)

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

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

Consequences of performance on shareholder wealth

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

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

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

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

10. Remuneration report (continued)

10.3 Details of compensation

The following table provides the details of the nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2011.

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

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

Directors' Report
(continued)

10. Remuneration report (continued)

10.3 Details of compensation

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

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

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

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

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

10. Remuneration report (continued)

10.3 Details of compensation (continued)

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

	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment				
Name	Cash salary and fees	STI cash bonus	Non-monetary benefits	Super-annuation (i)	Long service leave provision	Value of ELTIP shares (options & rights)	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration
	$	$	$	$	$	$	$	$	%	%
Non-executive Directors										
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		
Executive Directors										
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)

	Short-term benefits			Post employment benefits	Other long-term benefits	Share-based payment				
Name	Cash salary and fees	STI cash bonus	Non-monetary benefits	Super-annuation (i)	Long service leave provision	Value of ELTIP shares (options & rights)	Termination benefits	Total	Proportion of compensation performance related	Value of options as proportion of remuneration
	$	$	$	$	$	$	$	$	%	%
Other key management personnel										
AP Hockley	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
Total	1,152,836	-	16,314	135,616	11,795	16,760	-	1,333,321		
Total compensation key management personnel	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.

10. Remuneration report (continued)

10.4 Analysis of bonuses included in compensation

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

10.5 Employment contracts

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

RB Flynn, Executive Chairman

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

V Scidone, Executive Director and Group General Manager – Industrial

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

AP Hockley, Chief Financial Officer

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

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 26 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.

BN Carter, General Manager – Cooper Fluid Systems

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

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

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

10. Remuneration report (continued)

10.5 Employment contracts (continued)

J Colli, Company Secretary

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

10.6 Options over shares granted as compensation

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

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

Directors' Report
(continued)

11. Environmental regulation

The Group is not subject to any specific environmental regulation.

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

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

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

12. Insurance of officers

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

13. Corporate governance

The Statement of Corporate Governance Practices as disclosed on pages 48 to 57 of the Concise Annual Report sets out the Company's main corporate governance practices throughout the financial year and as at the date of this report.

14. Share options

Options granted to directors and key management personnel

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

15. Non-audit services

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

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

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

Directors' Report
(continued)

16. Lead auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 59 and forms part of this directors' report.

17. Company secretary

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

18. Rounding off

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

Signed in accordance with a resolution of the directors.

R B Flynn
Executive Chairman

Perth
26 August 2011

Statement of Corporate Governance Practices

Introduction

This statement is dated 26 August 2011 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2010/11 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.

In June 2010 the ASXCGC released amendments to the 2nd edition of the Corporate Governance Principles and Recommendations which covered diversity, remuneration, trading policies and briefings.

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. 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.

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 (KPIs). Apart from reviewing KPIs, 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 pages 29 and 30 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 2010/11 financial year there were no changes to the composition of the board.

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 10 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

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

The board was strongly of the view that the most suitable person to become chief executive upon Mr Glenn's departure was Mr Flynn, given his relevant past experience and achievements combined with his knowledge of the Company, its people and its operations. The 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 Flynn as executive chairman in April 2007 the roles of chairperson and the chief executive officer are exercised by the same person. Accordingly the Company does not comply with this recommendation.

Refer to comments for CGL Practice under ASXCGC Recommendation 2.2.

ASXCGC Recommendation 2.4

The board should establish a nomination committee.

CGL Practice

The board has established a nomination committee.

The members of the nomination committee are:

- R B Flynn (Chairman), executive chairman
- B F Nazer, independent non-executive director
- K R Perry, independent non-executive director

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 2010/11 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.

Statement of Corporate Governance Practices
(continued)

ASXCGC Principle 3

Promote ethical and responsible decision making.

Companies should actively promote ethical and responsible decision making.

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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

CGL Practice

As at the date of this statement, the Company has not finalised a diversity policy. The Company will report on the establishment of a diversity policy and the achievement of objectives to achieve gender diversity in a statement covering the financial year ending 30 June 2012.

ASXCGC Recommendation 3.3

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

CGL Practice

Refer to comments for CGL Practice under ASXCGC Recommendation 3.2.

ASXCGC Recommendation 3.4

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

CGL Practice

As at June 2011, 23% of the Company's employees were women. There were no women on the Company's board or in senior executive positions. 25% of the Company's senior manager positions were held by women.

ASXCGC Recommendation 3.5

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

Statement of Corporate Governance Practices
(continued)

CGL Practice

The information required for reporting on recommendations 3.1 and 3.4 has been disclosed by the Company. With respect to recommendations 3.2 and 3.3 the information has not yet been disclosed.

ASXCGC Principle 4

Safeguard integrity in financial reporting.

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

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 H Nickson, independent non-executive director
- K R Perry, independent non-executive director

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 10 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".

Statement of Corporate Governance Practices
(continued)

ASXCGC Recommendation 4.4

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

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.

CGL Practice

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

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

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

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

Formal presentations to briefing sessions held for analysts or institutional investors are released to the market and placed on the Company's website prior to the briefing session being held.

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.

Statement of Corporate Governance Practices
(continued)

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.

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 committee has a formal charter.

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

ASX Recommendation 8.2

The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent chair; and
- has at least 3 members.

CGL Practice

The members of the remuneration committee are:

- J H Nickson, (Chairman), independent non-executive director
- K R Perry, independent non-executive director

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.

The chief executive officer who attends by invitation, absents himself from meetings before any discussion by the committee in relation to his own remuneration.

ASX Recommendation 8.3

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 34 to 45 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 34 to 45 of the concise annual report.

ASXCGC Recommendation 8.4

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 Group"):

   (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 28 to 39, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a) of the full financial report;

   (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations by the executive chairman and chief financial officer for the financial year ended 30 June 2011 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

R B Flynn
Executive Chairman

Perth
26 August 2011

Lead Auditor’s Independence Declaration

KPMG

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 2011 there have been:

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

KPMG

Denise McComish
Partner

Perth
26 August 2011

Independent Auditor's Report

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

Report on the concise financial report

We have audited the accompanying concise financial report of the Group comprising Coventry Group Limited (the Company) and its controlled entities which comprises the statement of financial position as at 30 June 2011, 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 9 derived from the audited financial report of Coventry Group Limited for the year ended 30 June 2011 and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

The directors of the Company are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports and the Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Standards*. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Coventry Group Limited for the year ended 30 June 2011. We expressed an unmodified audit opinion on the financial report in our report dated 26 August 2011. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design procedures, that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our procedures included 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.

KPMG

Independence

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

Auditor's opinion

In our opinion, the concise financial report of Coventry Group Limited and its controlled entities for the year ended 30 June 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the remuneration report

The following paragraphs are copied from our Report on the remuneration report for the period ended 30 June 2011.

We have audited the Remuneration Report included in section 10 of the directors' report for the year ended 30 June 2011. 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 Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Denise McComish
Partner

Perth
26 August 2011

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

Shareholder Information

as at 5 September 2011

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares Number	% of Total
1. RBC Dexia Investor Services Australia Nominees Pty Limited (BK Cust A/C)	6,916,730	17.37
2. HSBC Custody Nominees (Australia) Limited	3,082,808	7.74
3. National Nominees Limited	1,782,410	4.48
4. Australian Foundation Investment Company Limited	1,650,000	4.14
5. Dorsett Investments Pty Ltd	1,484,761	3.73
6. Swanwall Holdings Pty Ltd	1,408,535	3.53
7. Citicorp Nominees Pty Limited	1,136,875	2.86
8. Anne Kyle	1,000,000	2.51
9. JP Morgan Nominees Australia Limited	952,355	2.39
10. Sandhurst Trustees Ltd (SISF A/C)	857,672	2.15
11. Devadius Pty Ltd	836,619	2.10
12. McCusker Holdings Pty Ltd	734,511	1.84
13. Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	705,184	1.77
14. Cogent Nominees Pty Limited	683,389	1.72
15. Forum Investments Pty Ltd	372,539	0.94
16. Clifford Maxwell Kyle	331,208	0.83
17. Buduva Pty Ltd	325,000	0.82
18. Geoffrey Michael Kyle	319,253	0.80
19. Lyndis Ann Flynn and Aidan John Flynn (FF Super Fund A/C)	250,246	0.63
20. Joan Merle Smith	234,427	0.59
	25,064,522	62.94

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders		Shares	
Size of Holding	Number	%	Number	%
1 to 1,000	1,872	52.57	589,915	1.48
1,001 to 5,000	1,119	31.42	2,819,627	7.08
5,001 to 10,000	265	7.44	1,918,039	4.82
10,001 to 100,000	268	7.53	7,084,683	17.79
100,001 and over	37	1.04	27,402,229	68.83
	3,561	100.00	39,814,493	100.00
Unmarketable parcel of shares	426	12.00	30,329	0.08

Shareholder Information
as at 5 September 2011 (continued)

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 5 September 2011.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Investors Mutual Limited	7,727,328	24.12.2010
Schroder Investment Management Australia Limited	2,615,135	19.04.2011

UNQUOTED EQUITY SECURITIES

	Number of Options	Number of Holders
Options issued under the Executive Long Term Incentive Plan		
Executive Director Options		
- options expiring on 4 November 2012	500,000	1
- options expiring on 22 November 2012	100,000	1
- options expiring on 28 October 2013	500,000	2
Executive Options		
- options expiring on 22 November 2012	200,000	3
- options expiring on 16 September 2013	450,000	3
- options expiring on 30 September 2013	100,000	2

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) 9436 5400
Facsimile: (08) 9436 5406

Postal Address
PO Box 740
Cloverdale, Western Australia 6985

Web Site
www.cgl.com.au

Secretary
J Colli

Bankers
Australian and New Zealand Banking Group Limited
77 St. Georges Terrace
Perth, Western Australia 6000

Auditors
KPMG
Level 8
235 St. Georges Terrace
Perth, Western Australia 6000

Share Registry
Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne, Victoria 3001
or
Level 2
45 St. Georges Terrace
Perth, Western Australia 6000

Telephone from within Australia: 1300 763 414
Telephone from outside Australia: +(61) 3 9415 4856
Facsimile: +(61) 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

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.