COVENTRY GROUP LTD

ABN 37 008 670 102

ANNUAL REPORT

2013

Five Year Financial Overview

YEAR ENDED 30 JUNE		2009	2010	2011	2012	2013	% Change
Revenue from sale of goods [1]	($M)	419.1	393.1	395.6	243.4	**236.5**	(2.8)
Profit before tax [2]	($M)	16.2	11.9	7.4	13.0	**8.1**	(37.7)
Profit/(loss) before tax [3]	($M)	1.0	9.9	(17.9)	24.3	**7.9**	(67.5)
Profit/(loss) after tax [3]	($M)	(1.0)	7.0	(16.8)	19.0	**5.9**	(68.9)
Earnings/(loss) per share [4]	(cents)	(3.6)	16.3	(43.4)	47.8	**14.4**	(69.9)
Dividends per share	(cents)	5.0	14.0	22.0	22.0	**22.0**	-
Net tangible assets per share	($)	3.30	3.39	3.38	3.71	**3.69**	(0.5)
Operating cash flow	($M)	18.5	23.2	7.6	18.2	**9.9**	(45.6)
Return on equity [5]	%	1.0	3.9	4.5	4.9	**3.6**	(26.5)
Net cash and term deposits/ (interest bearing debt)	($M)	(15.1)	4.9	7.1	55.0	**54.4**	(1.1)
Share price (30 June)	($)	0.91	1.85	2.30	2.65	**2.70**	1.9
Market capitalisation (30 June)	($M)	35.9	73.8	92.0	100.3	**102.0**	1.7

1 from continued and discontinued operations
2 before minority interests are removed and excluding material items
3 before minority interests are removed and including material items
4 basic
5 after minority interests are removed and excluding material items

About Coventry Group

Coventry Group Ltd is an Australian public company which 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 employ around 800 people with a network of 67 branches/ distribution centres.

Contents	Page

2013 Year in Brief

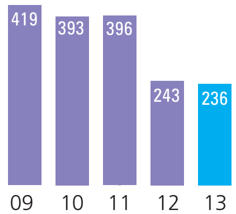
Financial

- revenue from continuing operations down 3% to $236.5 million
- profit before tax from continuing operations of $7.4 million
- net profit after tax of $5.9 million
- final dividend of 11 cents per share fully franked resulting in total dividends for the year of 22 cents per share fully franked (2012 – 22 cents)
- earnings per share of 14.4 cents

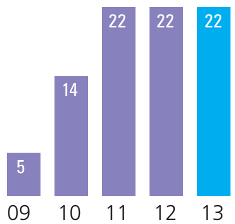
Operations

- stabilised the Fastener business, developed a detailed earnings and growth strategy and implemented it across the business with new leadership
- developed and implemented a strategy for the loss making Artia business with an orderly exit from the furniture sector
- completed the acquisition of Multipro IT
- completed the sale of all properties previously used in the automotive business
- achieved organic growth with the establishment of 3 new sites

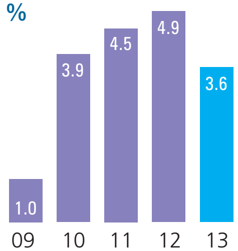
Revenue
$ million



Dividends per share
cents

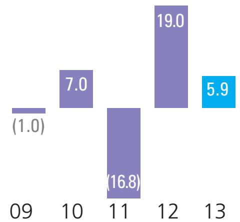


Return on equity (a)
%



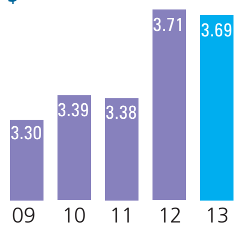
(a) after minority interests are removed and excluding material items

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

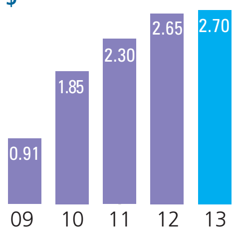


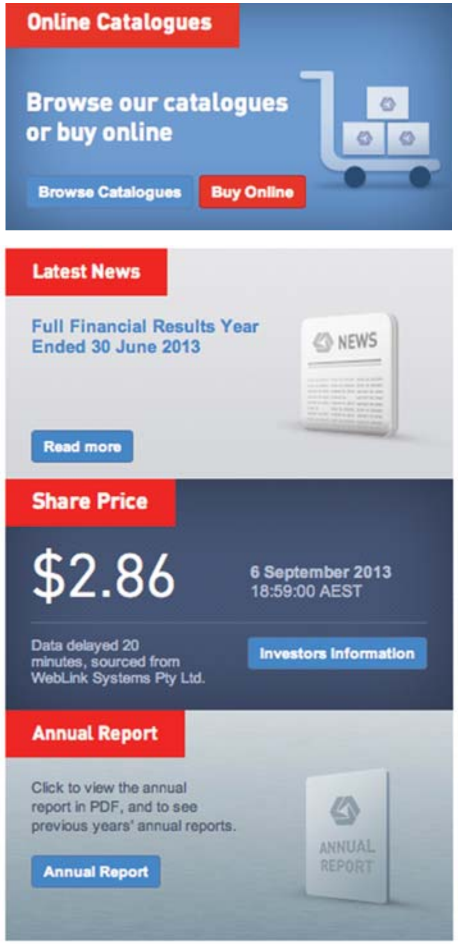
(b) before minority interests are removed and including material items

Net tangible assets per share
$



Share price 30 June
$





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 with intensive competitive pressure • new management team has developed an earnings and growth strategy • BoltShop – an online product initiative continues to grow • two new sites established during FY13
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 • service/repair of all the above items	• established a new branch at Mt. Isa, QLD • strong demand from resources sector positively impacted trading performance - though flatter from the previous year due to deferred capital and maintenance spend by key customers • focus on growing service/repair segment of the business • pursuing growth by acquisitions

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	• business is exiting the furniture sector • trading conditions remain difficult • rationalising of business to cabinet hardware has aligned it to the Fastener supply chain
AA Gaskets	• manufacture and distribution of automotive and industrial gaskets	• softer market has impacted trading performance • margin pressure due to imported products and strong Australian dollar • business continues to benefit from product quality and high customer service
Managed System Services and Multipro IT	• cloud computing • managed solutions • Oracle applications • enterprise networks • unified communications	• acquired the business of Multipro IT in February 2013 • business has achieved organic sales growth • significant integration of processes and roles undertaken

artia
Specialists in Cabinet and Furniture Hardware

aa gaskets nz gaskets LIMITED

Managed System Services
quality agility value

Multipro

Dear Shareholder

On behalf of your directors I present Coventry Group's 2013 annual report.

Financial Performance

The 2012/13 financial year continued to provide a difficult trading environment. On revenue of $236.5 million, down 3% due to a subdued economy and a slowing in the resources sector, the Group recorded a net profit after tax of $5.9 million.

The table opposite shows a number of key financial indicators for the 2012/13 year:

The Group recorded a profit before tax from continuing operations of $7.9 million compared to a profit of $21.2 million for the previous comparative period. These results include gains from the 'one time' sale of properties used in the automotive business. Without these gains the profit before tax in the period was $7.4 million ($10.3 million in the prior comparative period). This reduction in profit was, in part, due to a series of macro-economic factors, including:

– the downturn seen in the general economy which has resulted in subdued trading. Reductions by the Reserve Bank of Australia to the bank interest rate and recent declines in the A$ exchange rate have not yet filtered through to the economy stimulating an increase in growth.

– large mining organisations have significantly scaled back their capital investment pipelines over the past 12 months and deferred major maintenance expenditure. This has increased competition for the remaining capital projects and price pressure is being experienced as a consequence.

Each business within the Group has also been impacted by local and micro-economic events.

Dividend

The directors have declared a dividend of 11 cents per ordinary share, fully franked, payable on 20 September 2013 to shareholders registered as at 6 September 2013 (the record date). The dividend reinvestment plan will continue to be suspended for this dividend. For the prior comparative period an 11 cents, fully franked, final dividend was declared.

	Full Year to 30.6.13	**Full Year to 30.6.12**	**% Change**
Revenue ($M)	236.5	242.9	-2.6
Profit before income tax ($M) [1]	7.9	21.2	-62.7
Profit before tax, excluding property sales ($M) [2]	7.4	10.3	-28.2
Profit after tax ($M)	5.9	19.0	-68.9
NTA per share ($)	3.69	3.71	-0.5
Net cash ($M) [3]	54.5	55.0	-0.9
Earnings per share – basic (cents)	14.4	47.8	-69.9

1 from continuing operations

2 excludes the profit received on the sale of the automotive properties

3 includes term deposits

Executive Chairman's Report
(continued)

Review of Businesses

Coventry Fasteners and Hylton Parker Fasteners - NZ (HPF)

Coventry Fasteners and HPF are large players in their respective markets, the distribution of Fasteners, now with upgraded management and direction

Sales for the Fasteners business declined by 3.3% to $120.6 million compared to the previous comparative period. The reduction in sales is predominantly attributed to depressed levels of spend in the infrastructure and construction industries.

During the period trading conditions in the Fasteners business have remained difficult with intense competitive pressure. These adverse conditions and reduced customer spend have been offset by savings in operating costs, most significantly in employment costs. These savings have been realised through increased efficiency, the streamlining of process and initial impact of the 3 year Fasteners strategy which is now being rolled out. The expected goal of this strategy is to deliver greater returns from the capital invested in this business.

In the period there has been a reduction in the capital employed by the business and is reflective of management's focus to match the deployment of resources to the returns being achieved.

Artia

Artia is rationalising product range to cabinet hardware only, facilitating supply chain synergies with the Fasteners business

Sales for the Hardware business declined by 7.3% to $22.8 million compared to the previous comparative period. The business recorded a loss before interest and tax of $2.0 million (loss $2.8 million – 30 June 2012) which included a material exit cost of $0.8 million, resulting from the decision to close the Artia furniture operations.

As previously disclosed to the market the Artia business is exiting from the furniture sector and is currently running down the remaining inventory in an orderly fashion. The Group recognised a $0.8 million charge for the additional costs to exit this segment of the Artia business and bring the value of assets associated with furniture to their net realisable value. The Group made the decision to exit furniture having looked at the long term prospects for these products. The remainder of the Artia business, being cabinet hardware, is closely aligned with our broader fasteners offering. Rationalising of the Artia business to cabinet hardware only means its supply chain can be combined into that of Fasteners.

AA Gaskets and NZ Gaskets

Gaskets is the market leader and is performing well

Sales for the Gaskets business decreased by 0.8% to $12.7 million compared to the previous comparative period. The business recorded a profit before interest and tax of $2.1 million, down on the result achieved in the previous comparative period of $2.5 million. The business continues to benefit from the market differentiation they deliver through quality and the breadth of product range.

The Gaskets profit before interest and tax declined by $0.4 million compared to the previous comparative period ended 30 June 2012. The impact from cheap imports continues to constrain the business along with extensions to the length of warranties vehicle manufacturers are prepared to offer. To counter these impacts the Gaskets business continues to extend its range and depth of inventory to ensure the highest level of service to its customer base.

Cooper Fluid Systems

Cooper Fluid Systems is well led and continues to deliver strong returns

Sales for the Fluids business decreased by 3.6% to $77.7 million compared to the previous comparative period. Profit before interest and tax was $9.1 million, down 25.6% on the previous comparative period. The result, even though below the levels achieved in the prior period, was still driven by strong demand from the resources sector.

The Fluids business operates mainly in the mining services and capital equipment spaces of Western Australia and Queensland. In the year the division has been impacted by reduced capital spend and deferral of maintenance expenditure coming from major customers, however the Fluids business has continued to successfully develop relationships in the mining sector. This part of the overall Australian economy continues to grow, out pacing the growth in other areas. The Group anticipates this growth in mining will continue in the medium term although the split between capital spend and repair spend by the 'majors' may shift. The Fluids business has strong capabilities in both the capital and repair spaces.

In the period, after a review of its geographic footprint, the Group successfully opened a branch in the key Mt. Isa region, resulting in a network of 8 branches for the business. Further expansion into key markets to better support the existing customer base is planned for the future. Growth from acquisitions is also being pursued.

Managed System Services (MSS)

MSS through organic and acquisition growth is gaining critical mass in the Perth market

In October 2011, Managed System Services Pty Ltd, a wholly owned subsidiary, was established. The entity markets the Group's IT service capability and seeks to take advantage of opportunities in the IT sector. Since establishment the entity has seen organic sales growth. To accelerate this growth and gain critical mass MSS acquired the MultiPro business in February 2013. Subsequently to the acquisition management in the business have made significant progress integrating process, software and roles within the larger business.

Board Matters

During the year Mr Scidone resigned as a director of the Company. At the upcoming AGM, Mr Barry Nazer will retire in accordance with the Company's constitution as the longest serving director since last being re-elected. Being eligible, Mr Nazer offers himself for re-election.

People

Our people strategy, together with our commitment to employees, forms the framework that guides how we attract, develop, engage and retain talented people while ensuring alignment with our business strategy.

Executive Chairman's Report
(continued)

We are committed to engaging with our people to foster diversity and leadership and providing them with the best opportunities to learn and develop. We have successfully introduced a Graduate Program and continue to recognise our high performers by promoting within.

We are focused on increasing the representation of women and people from nationalities and local groups which are under-represented in our workforce. To that end I conducted a number of focus group sessions with female employees at major locations across Australia to ascertain how the Company's female workforce was being managed and how to ensure that their opportunity for advancement in the Company was optimised. Initiatives raised by the focus groups included that management identify talented people and train them and to recognise achievement. 33% of the Company's professional positions are held by women representing an upward trend. The Company is continuing to look at initiatives to promote talented women. Whilst there are no women on the board or executive team, consideration will be given to any opportunities that may arise in this regard. As at June 2013, 19% of the Company's employees were women.

With the introduction of the *Workplace Gender Equality Act 2012* last December, replacing the *Equal Opportunity for Women in the Workplace Act 1999*, the Company was required to submit their report to the Workplace Gender Equality Agency. This report is available on our website under the tab – "Investors, Corporate Governance".

We are committed to achieving our goal of zero injuries. This is supported by our management system which provides the framework for incorporating hazard identification, risk assessment and risk management into all aspects of our operations.

During the past year the Company has placed even greater emphasis on simplifying systems, identifying and managing critical safety risks and is about to engage a national Safety, Health and Environment leader who will be auditing and highlighting safety to all our teams across Australia and New Zealand. Our lost time injury frequency rate continues to improve.

Outlook

The largest individual risks to Group earnings remains the overall Australian economy and volatile world economy. These make it increasingly difficult to predict with certainty future earnings. The management team and directors cannot alter these macro factors, but are diligent to mitigate adverse factors where possible and capture the maximum of any upside. The long term goal being to consistently add to shareholder wealth and returns.

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

I would also like to acknowledge the support of the Company's customers and suppliers in what is still a challenging economic environment.

Roger B Flynn

Executive Chairman

Board of Directors

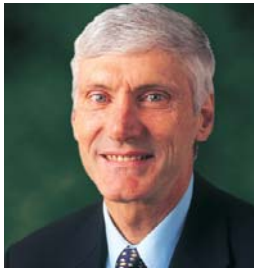
Roger Baden Flynn

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

Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is a former director of Hills Holdings Limited, Wattyl Limited, and Longreach Group Ltd and has had 45 board years experience on 6 listed companies.

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

Hills Holdings Limited
From 1999 to 4 November 2011



Barry Frederick Nazer

BBus, FCPA, FFin, ANZIIF (Fellow), FAICD
Independent non-executive director
Chairman of audit and risk committee; Member of remuneration and nomination committees

Mr Nazer was appointed as a director of the Company in September 2003. He has previously held the positions of Chief Financial Officer (CFO) of Bank of Western Australia Limited (BankWest), CFO of Wesfi Limited and CFO of Wesbeam Holdings Limited.

He is also a non-executive director of VDM Group Limited and MG Kailis Group.

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 of 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 the Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry has over 25 years' experience in senior management roles including serving as President of Rio Tinto Group's Taiwanese steel mill and as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. Subsequently he 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.

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

Financial Report
30 June 2013

Contents

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2013

In thousands of AUD	Note	Consolidated 2013	2012
Continuing operations			
Revenue from sale of goods		**236,493**	242,864
Cost of sales		**(141,906)**	(144,114)
Gross profit		**94,587**	98,750
Other revenue		**3,831**	4,052
Other income	3	**404**	10,997
Employee benefits expense	5	**(51,832)**	(51,390)
Depreciation and amortisation expenses		**(4,222)**	(2,990)
Occupancy costs		**(9,728)**	(9,395)
Communication costs		**(2,375)**	(2,538)
Freight		**(6,938)**	(6,943)
Other expenses		**(18,196)**	(21,957)
Profit before financial income and tax		**5,531**	18,586
Financial income	6	**2,400**	2,662
Financial expenses	6	**(5)**	(2)
Net financial income		**2,395**	2,660
Profit before income tax		**7,926**	21,246
Income tax expense	7	**(2,042)**	(4,377)
Profit from continuing operations for the year		**5,884**	16,869
Discontinued operations			
Profit from discontinued operations (net of income tax)	23	**-**	2,139
Profit for the year		**5,884**	19,008
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		**810**	463
Other comprehensive income for the year, net of income tax		**810**	463
Total comprehensive income for the year		**6,694**	19,471

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013 (continued)

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Profit attributable to:			
Owners of the Company		**5,458**	18,524
Non controlling interests		**426**	484
Profit for the year		**5,884**	19,008
Total comprehensive income attributable to:			
Owners of the Company		**6,303**	18,982
Non controlling interests		**391**	489
Total comprehensive income for the year		**6,694**	19,471
Earnings per share			
Basic earnings per share	8	**14.4 cents**	47.8 cents
Diluted earnings per share	8	**14.4 cents**	47.8 cents
Continuing operations			
Basic earnings per share		**14.4 cents**	42.3 cents
Diluted earnings per share		**14.4 cents**	42.3 cents

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position
As at 30 June 2013

In thousands of AUD	Note	Consolidated 2013	2012
Assets			
Cash and cash equivalents	9	**36,930**	55,035
Term deposits	9	**17,550**	-
Trade and other receivables	10	**37,036**	44,097
Inventories	11	**52,598**	53,729
Assets classified as held for sale		**-**	209
Income tax receivable	7	**1,212**	350
Total current assets		**145,326**	153,420
Deferred tax assets	7	**8,480**	9,128
Property, plant and equipment	13	**18,901**	17,144
Intangible assets	14	**9,287**	10,362
Total non current assets		**36,668**	36,634
Total assets		**181,994**	190,054
Liabilities			
Trade and other payables	15	**22,104**	27,511
Employee benefits	17	**6,755**	6,962
Finance leases		**43**	-
Income tax payable	7	**16**	238
Provisions	19	**449**	470
Total current liabilities		**29,367**	35,181
Employee benefits	17	**969**	1,073
Finance leases		**26**	-
Provisions	19	**15**	231
Total non current liabilities		**1,010**	1,304
Total liabilities		**30,377**	36,485
Net assets		**151,617**	153,569

Statement of Financial Position

As at 30 June 2013 (continued)

In thousands of AUD	Note	Consolidated 2013	2012
Equity			
Issued capital	20	**108,460**	108,653
Reserves	20	**(944)**	26,040
Retained earnings	20	**41,261**	16,166
Total equity attributable to equity holders of the Company	20	**148,777**	150,859
Non controlling interests	20	**2,840**	2,710
Total equity	20	**151,617**	153,569

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

Statement of Changes in Equity

For the year ended 30 June 2013

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Total equity at the beginning of the financial year		**153,569**	148,006
Total comprehensive income for the year			
Profit for the year		**5,884**	19,008
Other comprehensive income			
Foreign currency translation differences, net of tax		**810**	463
Total other comprehensive income, net of tax		**810**	463
Total comprehensive income for the year	20	**6,694**	19,471
Transactions with owners, recorded directly in equity			
Own shares acquired		**(193)**	(5,180)
Share based payment transactions		**132**	198
Employee share issue		**-**	174
Dividends to equity holders		**(8,324)**	(8,591)
Dividends paid to non controlling interests		**(261)**	(509)
Total transactions with owners		**(8,646)**	(13,908)
Total equity at the end of the financial year	20	**151,617**	153,569

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 2013

In thousands of AUD	**Note**	**Consolidated 2013**	**2012**
Cash flows from operating activities			
Cash receipts from customers		**272,432**	290,040
Cash paid to suppliers and employees		**(259,990)**	(271,177)
Cash generated from operations		**12,442**	18,863
Interest paid		**(1)**	(2)
Income taxes paid		**(2,515)**	(689)
Net cash from operating activities	25	**9,926**	18,172
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**155**	259
Proceeds from sale of land and buildings		**768**	20,937
Interest received		**1,737**	2,611
Monies invested in term deposits maturing in greater than 90 days		**(17,550)**	-
Dividends received		**1**	-
Disposal of discontinued operation, net of cash disposed of	23	**-**	28,943
Acquisition of business, net of cash acquired		**(302)**	(1,554)
Acquisition of property, plant and equipment	13	**(4,809)**	(4,320)
Acquisition of intangible assets	14	**(118)**	(797)
Net cash (used in)/from investing activities		**(20,118)**	46,079
Cash flows from financing activities			
Repayment of borrowings		**(36)**	-
Payments for share buy-back		**(193)**	(5,180)
Dividends paid		**(8,324)**	(10,593)
Dividends paid to non controlling interests	20	**(261)**	(509)
Net cash used in financing activities		**(8,814)**	(16,282)
Net (decrease)/increase in cash and cash equivalents		**(19,006)**	48,204
Cash and cash equivalents at 1 July		**55,035**	7,066
Effect of exchange rate fluctuations on cash held		**901**	(235)
Cash and cash equivalents at 30 June		**36,930**	55,035
Monies invested in term deposits maturing in greater than 90 days		**17,550**	-
Cash, cash equivalents and term deposits at 30 June	9	**54,480**	55,035

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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013

1. Significant accounting policies

Coventry Group Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 525 Great Eastern Highway Redcliffe WA 6104 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2013 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the directors on 23 August 2013.

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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

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

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

(c) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

Business combinations (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Controlled entities

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

Transactions eliminated on consolidation

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

(d) Foreign currency

Foreign currency transactions

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

Foreign operations

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

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

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

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

1. Significant accounting policies (continued)

(e) Current assets held for sale

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

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

(f) Cash, cash equivalents and term deposits

Cash and cash equivalents comprise cash balances and short term deposits with a maturity of three months or less at 30 June. Term deposits with a maturity of three months or greater at 30 June are disclosed separately in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Inventories

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

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

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

(h) Trade and other receivables

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

(i) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour,
- any other costs directly attributable to bringing the assets to a working condition for their intended use,
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- capitalised borrowing costs.

Cost includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

1. Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 1(c).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Computer software

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

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

1. Significant accounting policies (continued)

(j) Intangible assets and goodwill (continued)

Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

In current and comparative periods, goodwill was estimated to have an indefinite useful life and computer software was estimated to have a useful life of 3 to 12 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment

Financial assets

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

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

Non financial assets

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

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

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

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

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

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

1. Significant accounting policies (continued)

(l) Interest bearing loans and borrowings

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

(m) Employee benefits

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

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

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

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

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

(n) Provisions

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

Warranties

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

Restructuring

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

Make good

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

1. Significant accounting policies (continued)

(o) Trade and other payables

Trade and other payables are stated at amortised cost.

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

(p) Revenue

Sale of goods

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

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

Rental income

Rental income is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. Rental income from subleased property is recognised as other revenue.

(q) Leases

Leased assets

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

1. Significant accounting policies (continued)

(s) Operating segments

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

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

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

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

(t) Income tax

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

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

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

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

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

Tax consolidation

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

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

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

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

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

1. Significant accounting policies (continued)

(u) Goods and services tax

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

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

(v) Earnings per share

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

(w) Accounting estimates and judgements

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

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

- Note 1(g) – significant accounting policies – inventories
- Note 1(t) – significant accounting policies – income tax
- Note 14 – measurement of the recoverable amount of cash generating units containing goodwill
- Note 21 – allowance for trade receivable impairment losses

(x) Discontinued operations

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

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1. Significant accounting policies (continued)

(z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have a material impact on the Group's financial assets or financial liabilities.

AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interest in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The adoption of AASB 10 is not expected to have a material impact on the Group's consolidated financial statements.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the exisiting disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. The adoption of AASB 12 is not expected to have a material impact on the Group's consolidated financial statements.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The adoption of AASB 119 (2011) is not expected to have a material impact on the Group's consolidated financial statements.

2. Operating segments

The Group has 5 reportable segments as described below. For each of the strategic operating segments, the Executive Chairman reviews internal management on a monthly basis. The following summary describes the operations of each of the Group's reportable operating segments:

- *Automotive (discontinued):* Includes distribution of automotive parts
- *Fasteners:* Includes distribution and marketing of fastener products
- *Fluids:* Includes the design, manufacture, distribution and installation of lubrication and hydraulic fluid systems and hoses
- *Hardware:* Includes the importation, distribution and marketing of hardware components and finished products
- *Gaskets:* Includes manufacturing and distributing gaskets

Information regarding the results of each reportable operating segment is included below. Performance is measured based on operating segment profit before income tax as included in the internal management reports that are reviewed by the Executive Chairman. Operating 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.

Information about reportable segments	**Note**	**Automotive (discontinued)**		**Fasteners**		**Fluids**		**Hardware**		**Gaskets**		**Total**	
In thousands of AUD		**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External sales		**-**	355	**120,619**	124,690	**77,725**	80,620	**22,791**	24,576	**12,748**	12,844	**233,883**	243,085
Other revenue		**-**	202	**842**	789	**206**	204	**550**	516	**187**	184	**1,785**	1,895
External revenue		**-**	557	**121,461**	125,479	**77,931**	80,824	**23,341**	25,092	**12,935**	13,028	**235,668**	244,980
Inter segment revenue		**-**	-	**3**	-	**-**	-	**-**	445	**-**	-	**3**	445
Total revenue for reportable segments		**-**	557	**121,464**	125,479	**77,931**	80,824	**23,341**	25,537	**12,935**	13,028	**235,671**	245,425
Depreciation and amortisation		**-**	-	**1,015**	816	**736**	419	**167**	191	**226**	239	**2,144**	1,665

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

2. Operating segments (continued)

Information about reportable segments	Note	Automotive (discontinued)		Fasteners		Fluids		Hardware		Gaskets		Total	
In thousands of AUD		**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Reportable segment profit or (loss) before finance costs, income tax and material items		**-**	284	**250**	(257)	**9,067**	12,187	**(1,263)**	(1,001)	**2,101**	2,521	**10,155**	13,734
Redundancy		**-**	-	**-**	(356)	**-**	-	**-**	(199)	**-**	-	**-**	(555)
Restructuring costs		**-**	(138)	**-**	39	**-**	-	**(760)**	-	**-**	-	**(760)**	(99)
Increase in obsolete stock provision		**-**	-	**-**	-	**-**	-	**-**	(1,558)	**-**	-	**-**	(1,558)
Impairment loss on property, plant & equipment	23	**-**	(2,001)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(2,001)
Net gain on sale of business		**-**	4,912	**-**	-	**-**	-	**-**	-	**-**	-	**-**	4,912
Reportable segment profit or (loss) before finance costs and income tax		**-**	3,057	**250**	(574)	**9,067**	12,187	**(2,023)**	(2,758)	**2,101**	2,521	**9,395**	14,433
Reportable segment assets		**-**	-	**51,182**	53,975	**31,293**	31,006	**13,466**	13,567	**11,992**	11,367	**107,933**	109,915
Reportable segment liabilities		**-**	443	**16,626**	16,766	**7,932**	10,154	**1,988**	2,050	**637**	1,359	**27,183**	30,772
Capital employed		**-**	(443)	**34,556**	37,209	**23,361**	20,852	**11,478**	11,517	**11,355**	10,008	**80,750**	79,143
Capital expenditure		**-**	-	**2,038**	1,254	**2,279**	1,663	**125**	452	**162**	147	**4,604**	3,516

2. Operating segments (continued)

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

In thousands of AUD	**2013**	**2012**
Revenues		
Total revenue for reportable segments	**235,671**	245,425
Other revenue	**4,656**	2,494
Elimination of inter segment revenue	**(3)**	(446)
Elimination of discontinued operations	**-**	(557)
Consolidated revenue and other revenue	**240,324**	246,916
Profit or loss		
Total profit/(loss) for reportable segments	**9,395**	14,433
Net gain on sale of land & buildings	**558**	10,983
Unallocated amounts: other corporate and MSS (i) expenses and income	**(4,422)**	(3,773)
Net finance income	**2,395**	2,660
Consolidated profit before income tax	**7,926**	24,303
Elimination of discontinued operations	**-**	(3,057)
Consolidated profit before income tax from continuing operations	**7,926**	21,246
Assets		
Total assets for reportable segments	**107,933**	109,915
Other assets	**74,061**	80,139
Consolidated total assets	**181,994**	190,054
Liabilities		
Total liabilities for reportable segments	**27,183**	30,772
Other liabilities	**3,194**	5,713
Consolidated total liabilities	**30,377**	36,485

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

2. Operating segments (continued)

Other material items 2013

In thousands of AUD	Reportable segment totals	Adjustments	Consolidated totals
Net gain on sale of land & buildings	**-**	**558**	**558**
Restructuring costs	**(760)**	**-**	**(760)**
	(760)	**558**	**(202)**

Other material items 2012

In thousands of AUD	Reportable segment totals	Adjustments	Consolidated totals
Employee share issue	-	(174)	(174)
Share based payments	-	(198)	(198)
Net gain on sale of land & buildings	-	10,983	10,983
Net gain on sale of business	4,912	-	4,912
Impairment loss on property, plant & equipment	(2,001)	-	(2,001)
Redundancy	(555)	-	(555)
Restructuring costs	(99)	-	(99)
Increase in obsolete stock provision	(1,558)	-	(1,558)
	699	10,611	11,310

Geographical information

Revenue	**2013**		**2012**	
In thousands of AUD	**Revenues**	**Non-current assets (ii)**	**Revenues**	**Non-current assets (ii)**
Australia	**221,505**	**27,661**	228,694	27,092
New Zealand	**18,819**	**527**	18,222	414
Total	**240,324**	**28,188**	246,916	27,506

(i) Managed System Services (MSS) operations are not material within the Group.

(ii) The non-current assets presented consist of property, plant and equipment, and intangible assets.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

3. Other income

	Consolidated	
In thousands of AUD	**2013**	**2012**
Net gain on disposal of property, plant & equipment	**404**	10,997
	404	10,997

4. Auditor's remuneration

In AUD		
Audit services		
Auditors of the Group		
KPMG Australia:		
Audit and review of financial reports	**210,120**	233,600
KPMG New Zealand:		
Audit of financial reports	**20,080**	31,000
	230,200	264,600
Other services		
Auditors of the Group		
KPMG New Zealand:		
Tax services	**12,273**	18,158
	12,273	18,158

5. Employee benefit expenses

In thousands of AUD		
Wages and salaries	**41,673**	41,042
Share based payments	**132**	198
Other associated personnel expenses	**857**	911
Contributions to superannuation funds	**3,839**	3,855
Liability for annual leave and long service leave	**5,331**	5,384
	51,832	51,390

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

6. Finance income and finance expenses

	Consolidated	
In thousands of AUD	**2013**	**2012**
Interest income from other entities	**2,283**	2,611
Net foreign exchange gain	**116**	51
Dividends received	**1**	-
Financial income	**2,400**	2,662
Interest expense	**5**	2
Financial expenses	**5**	2
Net financing income	**2,395**	2,660

7. Taxes

Current tax expense

Tax recognised in the profit or loss

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Current tax expense			
Current year		**1,087**	899
		1,087	899
Deferred tax expense			
Origination and reversal of temporary differences		**1,274**	4,694
Over provision in prior periods		**(48)**	(115)
Revenue tax losses recognised		**(284)**	(196)
Effect of lower tax rate applicable to foreign controlled entity		**13**	13
		955	4,396
Income tax expense		**2,042**	5,295
Income tax expense from continuing operations		**2,042**	4,377
Income tax expense from discontinued operations	23	**-**	918
Total income tax expense		**2,042**	5,295

7. Taxes (continued)

Current tax expense (continued)

Tax recognised directly in equity

	Consolidated	
In thousands of AUD	**2013**	**2012**
Translation reserve	**(35)**	5
Total income tax recognised directly in equity	**(35)**	5

Reconciliation of effective tax rate

Profit for the period	**5,884**	19,008
Total income tax expense	**2,042**	5,295
Profit excluding income tax	**7,926**	24,303
Income tax using the Company's domestic tax rate of 30%	**2,378**	7,291
Non-deductible expenditure	**(7)**	70
Profit on sale of assets	**(10)**	(1,790)
Over provision in prior periods	**(48)**	(115)
Revenue tax losses recognised	**(284)**	(196)
Effect of lower tax rate applicable to foreign controlled entity	**13**	35
	2,042	5,295

Current tax assets and liabilities

The current tax asset for the Group of $1,212,000 (2012: $350,000) represents the amount of income taxes recoverable in respect of the current and prior financial periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority. The current tax liability for the Group of $16,000 (2012:$238,000) represents the amount of income taxes payable in respect of current and prior financial periods.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

7. Taxes (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
In thousands of AUD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Trade and other receivables	**170**	123	**(19)**	(20)	**151**	103
Inventories	**1,547**	1,425	**-**	-	**1,547**	1,425
Property, plant & equipment	**596**	636	**(11)**	(5)	**585**	631
Intangible assets	**-**	-	**(1,838)**	(2,233)	**(1,838)**	(2,233)
Employee benefits	**2,304**	2,407	**-**	-	**2,304**	2,407
Trade and other payables	**214**	336	**-**	(45)	**214**	291
Provisions	**136**	210	**-**	-	**136**	210
Translation reserve	**479**	491	**-**	-	**479**	491
Tax loss carry forward-income	**4,902**	5,803	**-**	-	**4,902**	5,803
Tax assets/(liabilities)	**10,348**	11,431	**(1,868)**	(2,303)	**8,480**	9,128
Set off of deferred tax liability	**(1,868)**	(2,303)	**1,868**	2,303	**-**	-
Net deferred tax asset	**8,480**	9,128	**-**	-	**8,480**	9,128

The Group has recognised a deferred tax asset of $8,480,000 (2012: $9,128,000), of which $4,902,000 (2012: $5,803,000) of the deferred tax asset relates to carried forward tax losses.

Tax losses in Coventry Group's Australian operation of $13,210,000 (represented by the deferred tax asset of $3,963,000) can be utilised at an annual rate of 7.1% of the taxable profit in the Australian tax group. The tax losses in the New Zealand operations of $3,354,000 (represented by the deferred tax asset of $939,000) can be utilised against future taxable profit in the New Zealand tax group.

7. Taxes (continued)

Movement in deferred tax balances during the year

In thousands of AUD	Balance 1-Jul-11	Recognised in income	Recognised in equity	Balance 30-Jun-12	Recognised in income	Recognised in equity	Balance 30-Jun-13
Trade and other receivables	361	(258)	-	103	48	-	151
Inventories	2,778	(1,353)	-	1,425	122	-	1,547
Property, plant & equipment	(1,106)	1,737	-	631	(46)	-	585
Intangible assets	(2,014)	(219)	-	(2,233)	395	-	(1,838)
Employee benefits	3,339	(932)	-	2,407	(103)	-	2,304
Trade and other payables	307	(16)	-	291	(77)	-	214
Provisions	268	(58)	-	210	(74)	-	136
Translation reserve	479	-	12	491	-	(12)	479
Tax loss carry forward-income	6,350	(547)	-	5,803	(901)	-	4,902
Tax loss carry forward-capital	2,783	(2,783)	-	-	-	-	-
	13,545	(4,429)	12	9,128	(636)	(12)	8,480

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013, calculated as follows:

Profit attributable to ordinary shareholders

	Consolidated					
	2013			2012		
In thousands of AUD	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the year	**5,884**	**-**	**5,884**	16,869	2,139	19,008
Profit attributable to ordinary shareholders	**5,458**	**-**	**5,458**	16,385	2,139	18,524

8. Earnings per share (continued)

Weighted average number of ordinary shares

In thousands of shares	**2013**	**2012**
Issued ordinary shares at 1 July	**37,835**	39,997
Effect of employee share offer and share buy back	**(5)**	(1,226)
Weighted average number of ordinary shares at 30 June	**37,830**	38,771

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares	**2013**	**2012**
Weighted average number of ordinary shares at 30 June (basic)	**37,830**	38,771
Dilutive effect of share options on issue	**126**	-
Weighted average number of ordinary shares at 30 June	**37,956**	38,771

Earnings per share

Basic earnings per share	**14.4 cents**	47.8 cents
Diluted earnings per share	**14.4 cents**	47.8 cents

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

9. Cash, cash equivalents and term deposits

	Consolidated	
In thousands of AUD	**2013**	**2012**
Cash on hand	**49**	52
Bank balances	**5,694**	4,173
Short term deposits (less than 90 days to maturity at 30 June)	**31,187**	50,810
Term deposits (greater than 90 days to maturity at 30 June)	**17,550**	-
Cash, cash equivalents and term deposits	**54,480**	55,035

The Group has a bank overdraft facility as disclosed in note 16, of which $nil was drawn down at 30 June 2013.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

10. Trade and other receivables

	Consolidated	
In thousands of AUD	**2013**	**2012**
Trade receivables	**35,141**	37,673
	35,141	37,673
Other receivables	**1,115**	5,720
Prepayments	**780**	704
	1,895	6,424
Total trade and other receivables	**37,036**	44,097

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 21. Included in "other expenses" in the statement of profit or loss and other comprehensive income are impairment losses on trade receivables for the Group of $393,000 (2012: $316,000).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

11. Inventories

In thousands of AUD	Consolidated 2013	2012
Finished goods	**52,598**	53,729
	52,598	53,729

During the year ended 30 June 2013 the write-down of inventories to net realisable value, recognised in "other expenses", amounted to $1,484,000 (2012: $2,651,000) for the Group.

12. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2013 the parent company of the Group was Coventry Group Ltd.

Results of the parent entity

In thousands of AUD	Company 2013	2012
Profit for the period	**5,071**	19,656
Total comprehensive income for the period	**5,071**	19,656
Financial position of parent entity at year end		
Current assets	**124,540**	134,328
Total assets	**186,966**	197,043
Current liabilities	**25,434**	32,117
Total liabilities	**26,396**	33,158
Total equity of the parent entity comprising of:		
Issued capital	**108,460**	108,653
Reserves	**657**	28,132
Retained earnings	**51,453**	27,100
Total equity	**160,570**	163,885

13. Property, plant and equipment

		Consolidated	
	Land and buildings	Plant and equipment	Total
In thousands of AUD			
Cost			
Balance at 1 July 2011	2,299	31,665	33,964
Acquisitions through business combinations	-	592	592
Other acquisitions	-	4,320	4,320
Disposals	-	(1,337)	(1,337)
Effect of movements in foreign exchange	-	20	20
Balance at 30 June 2012	2,299	35,260	37,559
Balance at 1 July 2012	2,299	35,260	37,559
Acquisitions through business combinations	-	137	137
Other acquisitions	-	4,809	4,809
Disposals	-	(3,819)	(3,819)
Effect of movements in foreign exchange	-	110	110
Balance at 30 June 2013	2,299	36,497	38,796
Depreciation and impairment losses			
Balance at 1 July 2011	360	16,571	16,931
Depreciation charge for the year	30	2,210	2,240
Impairment	-	2,001	2,001
Disposals	-	(1,097)	(1,097)
Acquisitions through business combinations	-	324	324
Effect of movements in foreign exchange	-	16	16
Balance at 30 June 2012	390	20,025	20,415

13. Property, plant and equipment (continued)

Depreciation and impairment losses (continued)

	Consolidated		
	Land and buildings	**Plant and equipment**	**Total**
In thousands of AUD			
Balance at 1 July 2012	390	20,025	20,415
Depreciation charge for the year	30	2,818	2,848
Impairment	-	83	83
Disposals	-	(3,533)	(3,533)
Effect of movements in foreign exchange	-	82	82
Balance at 30 June 2013	420	19,475	19,895
Carrying amounts			
At 1 July 2011	1,939	15,094	17,033
At 30 June 2012	1,909	15,235	17,144
At 1 July 2012	1,909	15,235	17,144
At 30 June 2013	1,879	17,022	18,901

14. Intangible assets

	Consolidated			
	Goodwill	Distribution rights	Computer software	Total
In thousands of AUD				
Cost				
Balance at 1 July 2011	40,075	641	15,107	55,823
Acquisitions through business combinations	312	-	-	312
Other acquisitions	-	-	797	797
Disposals	-	-	(53)	(53)
Balance at 30 June 2012	40,387	641	15,851	56,879
Balance at 1 July 2012	40,387	641	15,851	56,879
Acquisitions through business combinations	155	-	49	204
Other acquisitions	-	-	118	118
Disposals	-	-	(103)	(103)
Effect of movements in foreign exchange	-	-	3	3
Balance at 30 June 2013	40,542	641	15,918	57,101
Amortisation and impairment losses				
Balance at 1 July 2011	38,290	641	6,883	45,814
Amortisation for the year	-	-	756	756
Disposals	-	-	(53)	(53)
Balance at 30 June 2012	38,290	641	7,586	46,517
Balance at 1 July 2012	38,290	641	7,586	46,517
Amortisation for the year	-	-	1,374	1,374
Disposals	-	-	(83)	(83)
Effect of movements in foreign exchange	-	-	6	6
Balance at 30 June 2013	38,290	641	8,883	47,814

14. Intangible assets (continued)

	Consolidated			
	Goodwill	**Distribution rights**	**Computer software**	**Total**
In thousands of AUD				
Carrying amounts				
At 1 July 2011	1,785	-	8,224	10,009
At 30 June 2012	2,097	-	8,265	10,362
At 1 July 2012	2,097	-	8,265	10,362
At 30 June 2013	2,252	-	7,035	9,287

Impairment testing for cash generating units (CGU) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows.

	Consolidated	
In thousands of AUD	**2013**	**2012**
Cooper Fluid Systems	**2,168**	2,097
Managed System Services	**84**	-
	2,252	2,097

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

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

The impairment tests for the cash generating units were based on value in use calculations, in which projected pre-tax cash flows for the following five years, together with a terminal value, were discounted at a pre-tax discount of approximately 14.0%. The discount rates were estimated based on an industry weighted average cost of capital. The projected cash flows were based on detailed operating budgets for the year ending 30 June 2014 approved by the Board and forecasts for the following four years approved by management. Beyond the 2014 budgeted cash flows, growth rates of 2.5% were applied through to 2018 with terminal value growth rate of 2.5% applied in 2019, which is consistent with long term growth forecasts.

15. Trade and other payables

	Consolidated	
In thousands of AUD	**2013**	**2012**
Trade payables	**16,045**	20,536
Non trade payables and accrued expenses	**6,059**	6,975
	22,104	27,511

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

16. Interest-bearing loans and borrowings

	Consolidated	
In thousands of AUD	**2013**	**2012**
Financing facilities		
Total facilities available at balance sheet date		
Interchangeable multi currency revolving facility	**8,200**	25,000
Guarantee facility	**200**	800
Corporate credit card facility	**750**	750
	9,150	26,550
Facilities utilised at balance sheet date		
Interchangeable multi currency revolving facility	**-**	-
Guarantee facility	**-**	581
Corporate credit card facility	**212**	205
	212	786
Facilities not utilised at balance sheet date		
Interchangeable multi currency revolving facility	**8,200**	25,000
Guarantee facility	**200**	219
Corporate credit card facility	**538**	545
	8,938	25,764

16. Interest-bearing loans and borrowings (continued)

Interchangeable multi currency revolving facility

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

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

The bank overdraft facility may be drawn up to a maximum of AUD$3 million (2012: AUD$5 million) at any time and is repayable on demand. Interest is charged at prevailing market rates.

The balance of the AUD$8.2 million (2012: AUD$25 million) facility, including any undrawn bank overdraft facility may be available for draw-down as an AUD commercial bill or NZD term loan. Interest is charged at prevailing market rates. This ANZ facility extends to 20 October 2014.

Guarantee facility

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

Corporate credit card facility

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

Securities

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

17. Employee benefits

	Consolidated	
In thousands of AUD	**2013**	**2012**
Current		
Liability for long service leave	**3,285**	3,148
Liability for annual leave	**3,470**	3,814
	6,755	6,962
Non-current		
Liability for long service leave	**969**	1,073
	969	1,073

18. Share-based payments

Description of the share-based payment arrangements

At 30 June 2013 the Group has the following share-based payment arrangements.

Share option programmes (equity-settled)

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

During the years ended 30 June 2008 ('2007 options') and 30 June 2011 ('2010 options') under the ELTIP, share options were granted to the executive directors and senior management personnel that entitle them to purchase shares in the Company. No options were vested or exercised during and since the end of the reporting period. The number of the options forfeited/lapsed during the year ended 30 June 2013 was 1,100,000 (2012: 200,000).

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

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

18. Share-based payments (continued)

Share option programmes (equity-settled) (continued)

Grant date	Number of options	Vesting conditions	Contractual life of options
29-Oct-10	500,000	One third of the options may be exercised, at $2.27 per share, if earnings per share has grown at a compound annual rate of 8% whilst a further third may be exercised on achieving 10% and 12% thresholds for the same period. The options expire on 16 September 2013	3 years
	(80,000)	Less: 2007 options forfeited in the year ended 30 June 2009	
	(200,000)	Less: 2010 options forfeited in the year ended 30 June 2012	
	(800,000)	Less: 2007 options lapsed in the year ended 30 June 2013	
	(300,000)	Less: 2010 options forfeited in the year ended 30 June 2013	
Total share options	550,000		

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

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under share option programme and replacement awards is as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
in thousands of options	**2013**	**2013**	**2012**	**2012**
Outstanding at 1 July	**1,650,000**	**$3.05**	1,850,000	$2.97
Forfeited during the year	**(300,000)**	**$2.27**	(200,000)	$2.27
Lapsed during the year	**(800,000)**	**$3.88**	-	-
Granted during the year	**-**	**-**	-	-
Outstanding at 30 June	**550,000**	**$2.27**	1,650,000	$3.05

The options outstanding at 30 June 2013 have an exercise price of $2.27 (2012: between $2.27 and $3.88). Subsequent to this date these options have vested.

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

	Consolidated	
In thousands of AUD	**2013**	**2012**
2007 Options – equity settled	**21**	47
2010 Options – equity settled	**111**	151
	132	198

19. Provisions

In thousands of AUD	Warranty	Restructuring/ onerous contracts (i)	Total
Current			
Balance at 1 July 2012	248	222	470
Provisions increased during the year	142	261	403
Provisions used during the year	(180)	(244)	(424)
Balance at 30 June 2013	210	239	449
Non-current			
Balance at 1 July 2012	-	231	231
Provisions reduced during the year	-	(216)	(216)
Balance at 30 June 2013	-	15	15

(i) Includes provision provided in 2009 for the unexpired portion of the lease of the distribution centre for disposed division - Coventry Auto Parts Queensland. The provision balance is reviewed annually. The property lease expires on 31 August 2014.

20. Capital and reserves

Reconciliation of movement in capital and reserves for the period ended 30 June 2013

In thousands of AUD	Share-based payments reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
Balance at 1 July 2012	525	(2,094)	27,609	26,040	108,653	16,166	150,859	2,710	153,569
Total comprehensive income for the year									
Profit or Loss	-	-	-	-	-	5,458	5,458	426	5,884
Other comprehensive income									
Foreign exchange translation differences	-	845	-	845	-	-	845	(35)	810
Total other comprehensive income	-	845	-	845	-	-	845	(35)	810
Total comprehensive income for the year	-	845	-	845	-	5,458	6,303	391	6,694

20. Capital and reserves (continued)

Reconciliation of movement in capital and reserves for the period ended 30 June 2013 (continued)

In thousands of AUD	Share-based payments reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
Transactions with owners, recorded directly in equity									
Own shares acquired	-	-	-	-	(193)	-	(193)	-	(193)
Share based payment transactions	132	-	-	132	-	-	132	-	132
Transfer between reserves	(352)	-	(27,609)	(27,961)	-	27,961	-	-	-
Dividends to equity holders/ re-invested	-	-	-	-	-	(8,324)	(8,324)	(261)	(8,585)
Balance at 30 June 2013	305	(1,249)	-	(944)	108,460	41,261	148,777	2,840	151,617
Reconciliation of movement in capital and reserves for the period ended 30 June 2012									
Balance at 1 July 2011	327	(2,552)	25,282	23,057	113,659	8,560	145,276	2,730	148,006
Total comprehensive income for the year									
Profit or Loss	-	-	-	-	-	18,524	18,524	484	19,008
Other comprehensive income									
Foreign exchange translation differences	-	458	-	458	-	-	458	5	463
Total other comprehensive income	-	458	-	458	-	-	458	5	463
Total comprehensive income for the year	-	458	-	458	-	18,524	18,982	489	19,471
Transactions with owners, recorded directly in equity									
Own shares acquired	-	-	-	-	(5,180)	-	(5,180)	-	(5,180)
Share based payment transactions	198	-	-	198	-	-	198	-	198
Employee share issue	-	-	-	-	174	-	174	-	174
Transfer to reserve	-	-	2,327	2,327	-	(2,327)	-	-	-
Dividends to equity holders/ re-invested	-	-	-	-	-	(8,591)	(8,591)	(509)	(9,100)
Balance at 30 June 2012	525	(2,094)	27,609	26,040	108,653	16,166	150,859	2,710	153,569

Amounts are stated net of tax

20. Capital and reserves (continued)

Share Capital

	The Company Ordinary Shares	
In thousands of shares	**2013**	**2012**
On issue at 1 July	**37,835**	39,997
Share buy back [(i)]	**(75)**	(2,265)
Employee share scheme [(ii)]	**-**	103
On issue at 30 June – fully paid	**37,760**	37,835

(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 has been renewed on a yearly basis. The latest renewal of the share buy back was for a 12 month period which commenced on 23 November 2012.

(ii) For the financial year ended 30 June 2013, the Company did not issue any shares pursuant to employee share scheme (2012: 103,000).

Ordinary shares

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

Nature and purpose of reserves

Translation reserve

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

Realisation reserve

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

During the period ended 30 June 2013, the Group transferred the balance of its Realisation Reserve, $27,609,000 to Retained Profits. The Group determined that there was no longer a requirement to separate these profits.

Share based payments reserve

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

20. Capital and reserves (continued)

Dividends

The following dividends were declared and paid by the Group:

Paid during the year 2013	**Cents per share**	**Total amount $000**	**Franked / Unfranked**	**Date of payment**
Final 2012 Ordinary Dividend	11.0	4,162	Fully Franked	21 September 2012
Interim 2013 Ordinary Dividend	11.0	4,162	Fully Franked	18 March 2013
Total Amount		8,324		

Payable after end of year	**Cents per share**	**Total amount $000**	**Franked / Unfranked**	**Date of payment**
Final 2013 Ordinary Dividend [(i)]	11.0	4,154	Fully Franked	20 September 2013
		4,154		

(i) The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2013, as it was declared after the year end, and will be recognised in subsequent financial reports.

Dividend franking account

	The Company	
In thousands of AUD	**2013**	**2012**
30 per cent franking credits available to shareholders of the Company for subsequent financial years	**13,356**	14,899

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

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce the balance by $1,780,000.

The impact on the dividend franking account of income tax receivable after the balance sheet date but not recognised is a reduction of the balance by $1,159,000.

21. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

Credit risk

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

Trade and other receivables

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

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

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

21. Financial risk management (continued)

Trade and other receivables (continued)

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group's terms and conditions of trade have been amended to incorporate the recent Personal Property Security legislation. The Group does not normally require collateral in respect of trade and other receivables.

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

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

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. The Group has no significant concentration of customer base.

Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains an $8.2 million multi-currency interchangeable facility in which interest is payable at prevailing market rates.

Note 16 sets out the terms and conditions attaching to the Group's facility.

Market risk

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

Currency risk

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

Capital management

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

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

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

21. Financial risk management (continued)

Credit risk

Exposure to credit risk

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

		Consolidated Carrying amount	
In thousands of AUD	**Note**	**2013**	**2012**
Cash and cash equivalents	9	**36,930**	55,035
Term deposits	9	**17,550**	-
Trade and other receivables (i)		**36,212**	43,317
		90,692	98,352

(i) The above "other receivables" accounts only include those accounts that are contractually recoverable in the form of a financial instrument and do not include statutory assets e.g income tax receivable.

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

		Consolidated Carrying amount	
In thousands of AUD	**Note**	**2013**	**2012**
Australia		**32,334**	35,139
New Zealand		**2,807**	2,534
	10	**35,141**	37,673

21. Financial risk management (continued)

Credit risk (continued)

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

		Consolidated Carrying amount	
In thousands of AUD	**Note**	**2013**	**2012**
Trade customers		**30,841**	33,079
Wholesale customers		**4,300**	4,594
	10	**35,141**	37,673

Impairment losses

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

In thousands of AUD	**Gross 2013**	**Impairment 2013**	**Gross 2012**	**Impairment 2012**
Not past due	**30,802**	**-**	23,042	-
Past due 1-30 days	**3,422**	**-**	11,975	-
Past due 31-60 days	**927**	**-**	2,110	-
Past due 61 days and over	**509**	**519**	862	316
	35,660	**519**	37,989	316

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

	Consolidated Carrying amount	
In thousands of AUD	**2013**	**2012**
Balance as 1 July	**316**	1,281
Movements in provision	**203**	(965)
Balance at 30 June	**519**	316

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. The Group has no significant concentration of customer base.

21. Financial risk management (continued)

Liquidity risk

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

Consolidated	**2013**						**2012**					
	Carrying amount	**Contractual cash flow**	**6 mths or less**	**6-12 mths**	**1-2 years**	**More than 2 years**	**Carrying amount**	**Contractual cash flow**	**6 mths or less**	**6-12 mths**	**1-2 years**	**More than 2 years**
In thousands of AUD												
Non derivative financial liabilities												
Trade and other payables (i)	**21,056**	**(21,056)**	**21,056**	**-**	**-**	-	26,919	(26,919)	26,919	-	-	-
Finance lease liabilities	**69**	**(69)**	**35**	**8**	**18**	**8**	-	-	-	-	-	-
	21,125	**(21,125)**	**21,091**	**8**	**18**	**8**	26,919	(26,919)	26,919	-	-	-

(i) The above "other payables" carrying amount does not include statutory obligations e.g. amounts owing to the ATO.

Interest rate risk

Profile

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

	Consolidated Carrying amount	
In thousands of AUD	**2013**	**2012**
Fixed rate financial assets	**48,737**	-
Variable rate financial assets (i)	**5,694**	54,983
	54,431	54,983

(i) Variable financial assets do not include "cash on hand" as changes in interest rates do not affect this account.

Fair value sensitivity analysis for fixed rate instruments

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

21. Financial risk management (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss	
In thousands of AUD	**100bp increase**	**100bp decrease**
30 June 2013		
Variable rate instruments	**57**	**(57)**
Cash flow sensitivity (net)	**57**	**(57)**
30 June 2012		
Variable rate instruments	550	(550)
Cash flow sensitivity (net)	550	(550)

Fair values

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

Trade and other receivables / payables

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

22. Operating leases

Leases as lessee

Non cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Less than one year	**8,155**	8,952
Between one and five years	**12,131**	13,115
More than five years	**18,236**	22,547
	38,522	44,614

The Group leases various premises, plant and equipment and motor vehicles under operating leases. The leases typically run for periods ranging from 1 month to 15 years and in some cases provide for an option to renew the lease after expiry. Lease payments are reviewed periodically to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2013, the Group recognised $9,585,000 (2012: $11,748,000) as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

Leases as lessor

During the period ended 30 June 2013 the Group successfully sublet the Redcliffe Corporate Head Office premises on favourable terms (commencing late in the first half of the financial year). At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as follows:

	Consolidated	
In thousands of AUD	**2013**	**2012**
Less than one year	**2,150**	645
Between one and five years	**6,478**	-
More than five years	**-**	-
	8,628	645

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (continued)

23. Discontinued operations

In July 2011 the Group sold its WA automotive parts distribution business to Automotive Holdings Group Limited (AHG).

Profit attributable to the discontinued operations in the previous year was as follows:

	Consolidated
In thousands of AUD	**2012**
Results of discontinued operations	
Revenue	557
Expenses	(411)
Impairment loss	(2,001)
Results from operating activities	(1,855)
Income tax benefit	556
Results from operating activities, net of tax	(1,299)
Gain on sale of discontinued operation	4,912
Income tax expense on sale of discontinued operation	(1,474)
Profit for the year	2,139
Basic earnings per share	5.5 cents
Diluted earnings per share	5.5 cents
Cash flows from discontinued operations	
Net cash from operating activities	7,867
Net cash from investing activities	36,227
Net cash used in financing activities	(44,115)
Net cash used in discontinued operations	(21)

23. Discontinued operations (continued)

Effect of disposal of Automotive business on the financial position of the Group

In thousands of AUD	**2012**
Property, plant and equipment	(1,505)
Inventories	(25,618)
Cash and cash equivalents	(21)
Trade and other receivables	(386)
Employee benefits	3,235
Trade and other creditors	243
Net assets and liabilities	(24,052)
Consideration received, satisfied in cash	28,964
Cash and cash equivalents disposed of	(21)
Net cash inflow	28,943

24. Controlled entities

	Country of	**Ownership interest**	
	Incorporation	**2013**	**2012**
		%	**%**
AA Gaskets Pty Ltd	Australia	**72.5**	72.5
Fluidrive Pty Ltd	Australia	**100**	100
Managed System Services Pty Ltd	Australia	**100**	100
Coventry Group (NZ) Limited	New Zealand	**100**	100
NZ Gaskets Limited (i)	New Zealand	**72.5**	72.5

The ultimate parent entity is Coventry Group Ltd.

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

25. Reconciliation of cash flows from operating activities

		Consolidated	
In thousands of AUD	**Note**	**2013**	**2012**
Cash flows from operating activities			
Profit for the period		**5,884**	19,008
Adjustments for:			
Depreciation and amortisation		**4,222**	2,996
Impairment losses on property, plant and equipment		**83**	2,001
Interest income from other entities		**(1,737)**	(2,611)
Interest expense	6	**5**	2
Dividends received		**(1)**	-
Net gain on disposal of property, plant and equipment	3	**(404)**	(10,997)
Net gain on disposal of business	23	**-**	(4,912)
Income tax expense	7	**2,042**	5,295
Operating profit before changes in working capital and provisions		**10,094**	10,782
Change in trade and other receivables		**6,981**	15,038
Change in inventories		**(284)**	(2,024)
Change in trade and other payables		**(5,517)**	(7,160)
Change in provisions and employee benefits		**1,168**	2,227
		12,442	18,863
Interest paid		**(1)**	(2)
Income taxes paid		**(2,515)**	(689)
Net cash from operating activities		**9,926**	18,172

26. Key management personnel disclosures

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

Non-executive directors

BF Nazer

JH Nickson

KR Perry

Executive directors

RB Flynn, Executive Chairman

V Scidone, Director and General Manager – Fasteners [(i)]

Executives

KS Smith, Chief Financial Officer

(i) Resigned on 22 November 2012 and 19 December 2012 as an employee and director respectively.

Key management personnel compensation

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

	Consolidated	
In AUD	**2013**	**2012**
Short-term employee benefits	**1,579,143**	1,830,356
Post-employment benefits	**91,435**	171,622
Termination benefits	**311,387**	-
Other long term benefits	**60,347**	2,298
Equity compensation benefits	**93,280**	161,125
	2,135,592	2,165,401

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

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

26. Key management personnel disclosures (continued)

Movements in shares

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

	Held at 1 July 2012	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2013
Directors						
BF Nazer	104,420	-	-	-	-	104,420
JH Nickson	107,653	-	20,000	-	-	127,653
KR Perry	-	-	-	-	-	-
RB Flynn	250,496	-	-	-	-	250,496
V Scidone (i)	29,487	-	-	-	29,487	-
Executives						
KS Smith	-	-	-	-	-	-

(i) Resigned on 22 November 2012 and 19 December 2012 as an employee and director respectively.

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

	Held at 1 July 2011	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2012
Directors						
BF Nazer	104,420	-	-	-	-	104,420
JH Nickson	102,653	-	5,000	-	-	107,653
KR Perry	-	-	-	-	-	-
RB Flynn	250,496	-	-	-	-	250,496
V Scidone	29,487	-	-	-	-	29,487
Executives						
AP Hockley (i)	5,225	-	-	-	5,225	-
KS Smith (ii)	-	-	-	-	-	-

(i) Resigned as CFO on 14 April 2012

(ii) Appointed CFO on 14 April 2012

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

26. Key management personnel disclosures (continued)

Options and rights over equity instruments

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

	Held at 1 July 2012	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2013
Executive Directors					
RB Flynn	850,000	-	-	500,000	350,000
V Scidone (i)	250,000	-	-	250,000	-
Executives					
KS Smith	-	-	-	-	-

(i) Resigned on 22 November 2012 and 19 December 2012 as an employee and director respectively.

	Held at 1 July 2011	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2012
Executive Directors					
RB Flynn	850,000	-	-	-	850,000
V Scidone	250,000	-	-	-	250,000
Executives					
AP Hockley (i)	230,000	-	-	-	230,000
KS Smith (ii)	-	-	-	-	-

(i) Resigned as CFO on 14 April 2012

(ii) Appointed CFO on 14 April 2012

No options held by Executive Directors and Executives were vested as at 30 June 2013 or 2012.

Other Transactions

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

27. Related parties - other than key management personnel

Identity of related parties

The Group has a related party relationship with its controlled entities (see note 24).

Controlled entities

All transactions with controlled entities are at arms length.

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

The parent entity only:	**2013**	**2012**
Dividend revenue	**688,750**	2,141,250
Revenue from sale of goods	**506,697**	436,743
Purchase of inventories	**12,282**	4,354
Aggregate amounts receivable from controlled entities:		
Advance account subject to interest charges (for entities registered in New Zealand)	**-**	1,188,131
Advance account not subject to interest charges (Australian controlled entities)	**1,020,921**	-
Other receivables	**402,724**	87,724
Aggregate amounts payable to controlled entities	**22,942**	2,145
Decrease in intercompany advance accounts	**(167,210)**	(9,894,193)

During the year ended 30 June 2013, the Company received interest of $25,000 (2012: $892,000) in respect of the advance account subject to interest charges. Interest is charged at commercial rates.

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 2013.

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, independence status and special responsibilities	**Experience and other directorships**
Barry Frederick Nazer, BBus, FCPA, FFin, ANZIIF (Fellow), FAICD Independent non-executive director Chairman of audit and risk committee; member of remuneration and nomination committees	Mr Nazer was appointed as a director of the Company in September 2003. He previously held the positions of Chief Financial Officer (CFO) of Bank of Western Australia Limited (BankWest), CFO of WESFI Limited and CFO of Wesbeam Holdings Limited. He is also a non-executive director of VDM Group Limited and M G Kailis Group. 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 of 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, AusIMM 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 the Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry has over 25 years' experience in senior management roles, including serving as President of Rio Tinto Group's Taiwanese steel mill and as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. Subsequently he 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

Information on Directors (continued)

Name, qualifications, independence status and special responsibilities	Experience 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 a former director of Hills Holdings Limited, Wattyl Limited and Longreach Group Ltd and has had 45 board years experience on 6 listed companies. Other listed company directorships held during the past 3 financial years: Hills Holdings Limited from 1999 to 4 November 2011
Vince Scidone, BBus, AFAIM, AAICD Executive director (Resigned on 19 December 2012)	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 was General Manager of the Company's Fastener business and left the Company's employ on 22 November 2012. 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	127,653	-
KR Perry	-	-
RB Flynn	250,496	350,000

During the 2012/13 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 had an employment contract with the Company which entitled him to benefits in the Company as disclosed in the Remuneration Report section of this report.

Directors' Meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee, held during the year ended 30 June 2013, 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	13	3	3	2	2	1	1
JH Nickson	14	14	3	3	5	5	-	-
KR Perry	14	14	3	3	5	5	1	1
RB Flynn	14	14	-	-	-	-	1	1
V Scidone (i)	7	7	-	-	-	-	-	-

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.

(i) Resigned on 19 December 2012

2. Principal activities

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

Fasteners

- distribution and marketing of industrial fasteners, stainless steel fasteners and hardware, construction fasteners, specialised fastener products and systems, and associated industrial tools and consumables

Fluids

- design and installation of lubrication systems
- distribution of hose, connectors, fittings and hydraulic hose assemblies
- 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

2. Principal activities (continued)

Hardware

- importation, distribution and marketing of hardware, components and finished products to the commercial cabinet making, joinery and shop fitting industries.
- As previously disclosed to the market the Artia business has exited from the furniture sector and is currently running down the remaining inventory in an orderly fashion. The Group made the decision to exit furniture having considered the long term prospects for these products. Artia continues to trade in the hardware market.

Gasket Manufacturing

- manufacture and distribution of automotive and industrial gaskets.

Automotive

- This business was sold on 1 July 2011 and is reported in the notes to the financial statements as a discontinued operation.

3. Consolidated results

Results of the Group for the year ended 30 June 2013 were as follows:

In thousands of AUD	**2013**	**2012**
Revenue from sale of goods		
Revenue from sale of goods	**236,493**	242,864
Profit before tax	**7,926**	21,246
Income tax expense	**(2,042)**	(4,377)
Profit after tax from continuing operations for the year	**5,884**	16,869
Discontinued operations		
Revenue from sale of goods	**-**	557
Profit before tax	**-**	3,057
Income tax expense	**-**	(918)
Profit after tax from discontinued operations for the year	**-**	2,139
Profit after tax for the year	**5,884**	19,008
Profit after tax for the year attributable to:		
- equity holders of the Company	**5,458**	18,524
- minority interest	**426**	484
Profit after tax for the year	**5,884**	19,008
Profit after tax from sale of properties used in the automotive business	**(401)**	(9,478)
Profit after tax for the year excluding profit on sale of properties used in the automotive business	**5,483**	9,530

4. Dividends

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

Paid during the year 2013	Cents per share	Total amount $000	Franked / Unfranked	Date of payment
Final 2012 Ordinary Dividend	11.0	4,162	Fully Franked	21 September 2012
Interim 2013 Ordinary Dividend	11.0	4,162	Fully Franked	18 March 2013
Total Amount		8,324		
Payable after end of year				
Final 2013 Ordinary Dividend [(i)]	11.0	4,154	Fully Franked	20 September 2013
		4,154		

(i) The financial effect of this dividend has not been brought to account in the financial statements for the financial year ended 30 June 2013, as it was declared after the year end, and will be recognised in subsequent financial reports.

5. Review of operations and results

Group results and business overview

The Group recorded a profit before tax from continuing operations of $7.9 million compared to a profit of $21.2 million for the previous comparative period. These results include gains from the 'one time' sale of properties used in the automotive business. Without these gains the profit before tax in the period was $7.4 million ($10.3 million in the prior comparative period). This reduction in profit was, in part, due to a series of macro economic factors, including:

- the downturn seen in the general economy which has resulted in subdued trading. Reductions by the Reserve Bank of Australia to the bank interest rate and recent declines in the A$ exchange rate have not yet filtered through to the economy stimulating an increase in growth.
- large mining organisations have significantly scaled back their capital investment pipelines over the past 12 months and deferred major maintenance expenditure. This has increased competition for the remaining capital projects and price pressure is being experienced as a consequence.
- the rate of Australian unemployment has increased in the first half of calendar 2013. For the businesses within the Group this has reduced upward pressure on wages and made the recruitment of skilled staff easier.

Each business within the Group has also been impacted by local and micro-economic events.

5. Review of operations and results (continued)

Review of results by business

Coventry Fasteners and Hylton Parker Fasteners - NZ (HPF)

Coventry Fasteners & HPF are large players in their respective markets, the distribution of Fasteners, now with upgraded management and direction

- Business Space : b2b supply of industrial products
- Geographic Markets : All states of Australia (QLD/WA the largest), New Zealand
- Divisional Office : Melbourne, (52 branches)
- Dimensions : Sales $120.6million
  : EBIT $0.3 million (2012 EBIT loss: $0.6 million)
- Capital Employed : $34.6 million (2012 $37.2 million)
- Key Markets : Infrastructure, construction (non-residential), fabrication and resources
- Key Competitors : Blackwoods, small private companies and multi-nationals
- Key Economic Drivers : Non-residential construction, infrastructure spend (public & private), general manufacturing activity

Sales for the Fasteners business declined by 3.3% to $120.6 million compared to the previous comparative period. The reduction in sales is predominantly attributed to depressed levels of spend in the infrastructure and construction industries.

During the period trading conditions in the Fasteners business have remained difficult with intense competitive pressure. These adverse conditions and reduced customer spend have been offset by savings in operating costs, most significantly in employment costs. These savings have been realised through increased efficiency, the streamlining of process and initial impact of the 3 year Fasteners strategy which is now being rolled out. The expected goal of this strategy is to deliver greater returns from the capital invested in this business.

The business continues to deploy its sales management plan and roll out of technology across the branch network. The 'Bolt Shop', an on-line product catalogue and purchasing site, continues to grow and is one of a series of initiatives to further improve customer relationships.

In the period there has been a reduction in the capital employed by the business and is reflective of management's focus to match the deployment of resources to the returns being achieved.

Artia

Artia is rationalising product range to cabinet hardware only, facilitating supply chain synergies with the Fasteners business

- Business Space : b2b supply of industrial products
- Geographic Markets : All states of Australia and New Zealand
- Divisional Office : Melbourne, (7 branches)
- Dimensions : Sales $22.8million
  : EBIT loss (including exit costs & restructuring) $2.0 million (2012 EBIT loss: $2.8 million)
- Capital Employed : $11.5 million (2012 $11.5 million)
- Key Markets : Kitchen renovation and new builds
- Key Competitors : Many - fragmented market
- Key Economic Drivers : General level of economic activity, house building and house refurbishment

5. Review of operations and results (continued)

Review of results by business (continued)

Artia (continued)

Sales for the Hardware business declined by 7.3% to $22.8 million compared to the previous comparative period. The business recorded a loss before interest and tax of $2.0 million (loss $2.8 million – 30 June 2012) which included a material exit cost of $0.8 million, resulting from the decision to close the Artia furniture operations.

As previously disclosed to the market the Artia business has exited from the furniture sector and is currently running down the remaining inventory in an orderly fashion. The Group recognised a $0.8 million charge for the additional costs to exit this segment of the Artia business and bring the value of assets associated with furniture to their net realisable value. The Group made the decision to exit furniture having looked at the long term prospects for these products. The remainder of the Artia business, being cabinet hardware, is closely aligned with our broader fasteners offering. Rationalising of the Artia business down to cabinet hardware only means its supply chain can be combined into that of Fasteners.

During the year new management was brought in to run the business. The focus now is to successfully combine the Artia supply chain with that of Fasteners and grow the Hardware business.

AA Gaskets and NZ Gaskets

Gaskets is the market leader and is performing well

- Business Space : b2b supply of industrial products
- Geographic Markets : All states of Australia and New Zealand
- Divisional Office : Melbourne, (2 branches)
- Dimensions : Sales $12.7million
  : EBIT : $2.1 million (2012 EBIT $2.5 million)
- Capital Employed : $11.4 million (2012 $10.0 million)
- Key Markets : Automotive repairers, performance vehicles (After market only)
- Key Competitors : ACL Gaskets (in administration)
- Key Economic Drivers : Levels of vehicle repairs and manufacturers warranties. Sales are influenced by fuel price and the cost of new vehicles

Sales for the Gaskets business decreased by 0.8% to $12.7 million compared to the previous comparative period. The business recorded a profit before interest and tax of $2.1 million, down on the result achieved in the previous comparative period of $2.5 million. The business continues to benefit from the market differentiation they deliver through quality and the breadth of product range.

The Gaskets profit before interest and tax declined by $0.4 million compared to the previous comparative period ended 30 June 2012. The impact from cheap imports continues to constrain the business along with extensions to the length of warranties vehicle manufacturers are prepared to offer. To counter these impacts the Gasket business continues to extend its range and depth of inventory to ensure the highest level of service to its customer base.

5. Review of operations and results (continued)

Review of results by business (continued)

Cooper Fluid Systems

Cooper Fluid Systems is well led and continues to deliver strong returns

- Business Space : b2b supply of industrial solutions
- Geographic Markets : WA, QLD, SA and a small, but growing amount of export
- Divisional Office : Brisbane, (8 branches)
- Dimensions : Sales $77.7million
  : EBIT $9.1 million (Prior year to 30 June 2012 EBIT : $12.2 million)
- Capital Employed : $23.4 million (at 30 June 2012 $20.9 million)
- Key Markets : Hydraulic hose/fittings and maintenance to the resources industry
- Key Competitors : Many - fragmented market dominated by small, local independents and a few larger companies
- Key Economic Drivers : Resource related activity - capital investment spend and production levels

Sales for the Fluids business decreased by 3.6% to $77.7 million compared to the previous comparative period. Profit before interest and tax was $9.1 million, down 25.6% on the previous comparative period. The result, even though below the levels achieved in the prior period, was still driven by strong demand from the resources sector.

The Fluids business operates mainly in the mining services and capital equipment spaces of Western Australia and Queensland. In the year the division has been impacted by reduced capital spend and deferral of maintenance expenditure coming from major customers, however the Fluids business has continued to successfully develop relationships in the mining sector. This part of the overall Australian economy continues to grow, out pacing the growth in other areas. The Group anticipates this growth in mining will continue in the medium term although the split between capital spend and repair spend by the 'majors' may shift. The Fluids business has strong capabilities in both the capital and repair spaces.

In the period, after a review of its geographic footprint, the Group successfully opened a branch in the key Mt. Isa region, resulting in a network of 8 branches for the business. Further expansion into key markets to better support the existing customer base is planned for the future. Growth from acquisitions is also being pursued.

Managed System Services (MSS)

MSS through organic and acquisition growth is gaining critical mass in the Perth market

- Business Space : b2b supply of business services
- Geographic Markets : WA
- Divisional Office : Perth, (2 branches)
- Dimensions : Sales $2.6million
- Key Markets : IS services, hosting, consulting and ERP
- Key Competitors : Many - fragmented market
- Key Economic Drivers : Business investment in IS and WA growth

5. Review of operations and results (continued)

Review of results by business (continued)

Managed System Services (MSS) (continued)

In October 2011, Managed System Services Pty Ltd, a wholly owned subsidiary, was established. The entity markets the Group's IT service capability and seeks to take advantage of opportunities in the IT sector. Since establishment the entity has seen organic sales growth. To accelerate this growth and gain critical mass MSS acquired the MultiPro business in February 2013. Subsequently to the acquisition management in the business have made significant progress integrating process, software and roles within the larger business.

Other Corporate expenses and income

In the year ended 30 June 2013 the net expenses of the unallocated businesses, including MSS [i], was $4.4 million (Note 2: Operating Segments), and in the previous comparative period it was $3.8 million. The current period includes:

- investment in MSS which we anticipate will give good returns in the long term; and
- review and investigation of 'value add' acquisition opportunities.

Management continues to decrease cost expenditure in the support function areas.

Employees

Overall staff numbers fell from 863 (full time, part time and casuals) at 30 June 2012 to 826 at 30 June 2013. The decline is reflective of management's ongoing cost review process. At the same time as the overall numbers are reducing the remaining human resources are being deployed so a greater number of staff are 'customer facing'. This initiative is designed to increase the number of customer calls which is anticipated to deliver increased volumes of orders.

The Coventry Group encourages high performing staff to move and progress within the organisation. Its policies promote equal opportunities and reflects the Group's diversity principles covering gender diversity and racial backgrounds.

Balance sheet review

The Group net cash position fell slightly to $54.5 million ($55.0 million - 30 June 2012). The movement was broadly driven by dividend payments being greater than the reduction in working capital and the net profit for the period.

Group working capital (defined as current assets less cash and current liabilities) at 30 June 2013 was $61.5 million, this being $1.7 million lower than the balance a year earlier. The main driver being the reduction in funds tied up in debtors. The debtors balance has reduced in part due to lower sales during the months leading up to 30 June 2013 and also due to reduced days outstanding. There has been an increase in the 'quality' of the debtors evidenced by the aging of the balance (Note 21: Credit risk). Receivables not past due represent 88% of the total accounts receivable balance at the end of the current period.

This cash position allows the Group to acquire businesses that will accelerate growth and earnings. The directors have taken a disciplined approach to acquisitions, ensuring any investment will, in the long term, enhance shareholders returns. This measured approach allows acquired companies to be fully integrated into the relevant division thereby maximising synergies and cost savings. Management continues to improve the way businesses are integrated into the Group to allow future acquisitions to be integrated efficiently and more effectively.

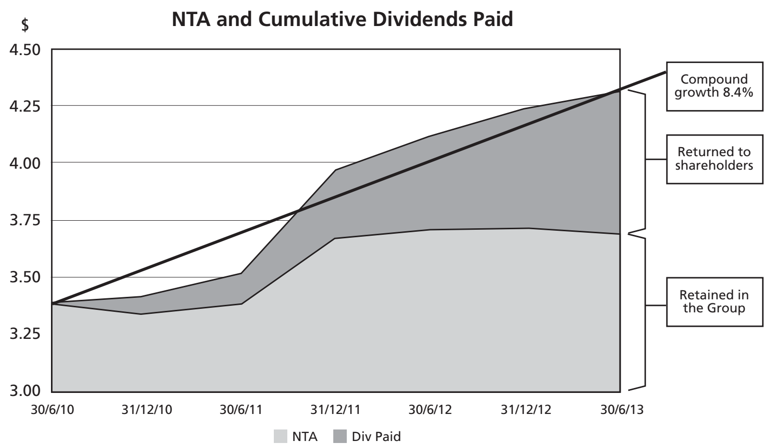
As discussed in the interim accounts to 31 December 2012 with the sale of the final automotive property the realisation reserve has been absorbed into the retained earnings of the Group.

[i] Managed System Services Pty Ltd (MSS)

5. Review of operations and results (continued)

Growth and distribution of assets per share

In the three years from 30 June 2010 to 30 June 2013 net tangible assets per share increased by 30 cents to $3.69 ($3.39 - 30 June 2010). In addition a further 63 cents has been returned to shareholders in cash (not including the associated franking credits to the dividend payments). Those shareholders choosing to remain with the Group over the three year period have seen the assets per share retained by the Group or paid as dividend total 93 cents, or a growth of 27.4% over the three year period.



		Year ended 30 June				
		2010	**2011**	**2012**	**2013**	
Tangible Assets	($m)	135.3	135.2	140.4	139.5	*
Shares on Issue	m	39.9	40.0	37.8	37.8	Refer to Note 20
NTA/share	($)	3.39	3.38	3.71	3.69	
* refer to 'Statement of Financial Position' - Net assets less non-controlling interests and intangible assets						
Interim dividends per share paid in year	(cents)		8.0	16.0	11.0	Refer to Note 20
Final dividend per share paid in year	(cents)		6.0	11.0	11.0	refer to Note 20
Total dividend paid in period	**(cents)**		**14.0**	**27.0**	**22.0**	

3 Year Total Shareholder Return (TSR) Calculation

Share price at 30/06/10	$1.81	
Share price at 30/06/13	$2.70	
Cumulative dividends over 3 years (Interim + Final paid in period)	$0.63	
Calculation of TSR based on the above data:		
Gain in share price	$0.89	
Share dividends	$0.63	The associated franking credits on top of this value
	$1.52	
Gain in percentage terms	84.0%	
Implied annual compound growth	22.5%	

The Group has delivered strong total shareholder returns over the past 12, 24 and 36 month periods.

5. Review of operations and results (continued)

Planned objectives

In the year management have continued to successfully execute to plan:

Objective	Achieved
• Stabilise the Fasteners business, develop a detailed earnings growth strategy and begin deploying it into the business	Profits have started to improve, staff have been moved into customer facing roles and cost control is being maintained
• Sold all the properties used in the automotive business	Last property successfully sold in August 2012
• Increase the sum of assets retained in the business or returned to shareholders	Total increase in the year ended 30 June 2013 was 20 cents
• Develop and deploy long term strategy for loss making Artia business	Exiting the non-core furniture business
• Significant improvement in safety	Strong improvement has been made in the year and management are continuing to focus on further improvement
• Acquisitive growth	Actively engaged in reviewing new opportunities
• Organic growth	Actively engaged in rolling out new opportunities

Future Outlook

The largest single risk to Group earnings remains the overall Australian economy and volatile world economy. These make it increasingly difficult to predict with certainty future earnings. The management team and directors cannot alter these macro factors, but are diligent to mitigate adverse factors where possible and capture the maximum of any upside. The long term goal being to consistently add to shareholder wealth and returns.

6. Earnings per share

Basic profit per share for the year ended 30 June 2013 was 14.4 cents. This compares to a basic profit per share of 47.8 cents for the previous year.

7. Significant change in the company's affairs

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

8. Events subsequent to reporting date

The directors are not aware of any matter or circumstance having arisen since the end of the financial year and the date of this report that has significantly affected, or may significantly affect 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 long term shareholder wealth. The Group is also actively seeking to organically grow its existing business units and restore the profitability of the Hardware business.

10. Remuneration report (audited)

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs)

KMPs are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

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 General Manager, Fasteners (i)

Executives

KS Smith, Chief Financial Officer

(i) Resigned on 22 November 2012 and 19 December 2012 as an employee and director respectively.

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 2013 the non-executive directors fees were allocated as follows (does not include statutory superannuation contributions):

	2013	**2012**
	$	**$**
Chairman (base fee) (i)	**nil**	nil
Non-executive Directors (base fee)	**86,000**	76,000
Interstate Non-executive Director (base fee)	**89,000**	87,000
Chairman of Audit & Risk Committee (in addition to base fee)	**15,000**	15,000
Chairman and Member of Remuneration Committee (in addition to base fee)	**5,000**	5,000

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

The table above reflects an increase in fees allocated to non executive directors with non-executive directors and interstate non-director receiving a $10,000 and $2,000 per annum increase respectively. The increase was effective 1 January 2013 and reflects the increased travel requirements of the smaller Board of Directors.

Committee fees have remained unchanged.

10. Remuneration report (audited) (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 Remuneration Committee are currently reviewing the structures of both short-term and long-term performance incentives for the senior executive team.

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.

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

Long-term incentives

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

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

10. Remuneration report (continued)

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

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

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

As at 30 June 2013, all options over unissued shares granted in November 2007 have either lapsed or been forfeited.

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 (defined in ELTIP rules to be the net profit after tax adjusted in the discretion of the Board to take account of significant or unusual items and then divided by the number of shares on issue) has grown over the period from the first full financial year prior to granting the options to the last full financial year preceding the exercise of the option at a compound annual rate of at least 8% whilst a further third may be exercised on achieving each of the 10% and 12% thresholds for the same period. The testing period will be the three years following the financial year ended 30 June 2010 or such shorter time as the Board may subsequently determine.

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

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

Consequences of performance on shareholder wealth

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

	2013 $	2012 $	2011 $	2010 $	2009 $
Profit/(loss) attributable to equity holders of the Company	5,458,000	18,524,000	(17,341,000)	6,474,000	(1,416,000)
Dividends paid	8,324,000	10,593,000	5,594,000	4,361,000	-
Change in share price	0.05	0.35	0.45	0.94	(1.00)

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, 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 2013.

	Actual rewards received in the period					*Actuarial valuation of potential future rewards*			
	Short-term benefits			*Post employment benefits*		*Other long-term benefits*	*Share-based payment*		
Name	*Cash salary, leave paid and fees*	*STI cash bonus* (i)	*Non-monetary benefits*	*Super-annuation* (ii)	*Termination benefits*	*Long service and annual leave provision accrual*	*Value of ELTIP provision accrual*	*Proportion of current period rewards which are performance related*	*ELTIP accrual as percentage of total period rewards*
	$	$	$	$	$	$	$	%	%
Non-executive Directors									
BF Nazer	99,887	-	-	8,990	-	-	-	-	-
JH Nickson	76,370	-	-	25,000	-	-	-	-	-
KR Perry	86,000	-	-	7,740	-	-	-	-	-
Total	262,257	-	-	41,730	-	-	-		
Executive Directors									
RB Flynn	821,651	62,600	-	25,000	-	61,539	124,506	17.1	11.4
V Scidone (iii)	177,556	-	12,777	8,235	311,387	-	(31,226)	(6.5)	N/A
Total	999,207	62,600	12,777	33,235	311,387	61,539	93,280		
Other key management personnel									
KS Smith	232,302	10,000	-	16,470	-	(1,192)	-	3.9	-
Total	232,302	10,000	-	16,470	-	(1,192)	-		
Total compensation key management personnel	1,493,766	72,600	12,777	91,435	311,387	60,347	93,280		

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) Paid and approved in the year ended 30 June 2013 but in relation to performance during the year ended 30 June 2012.

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

(iii) Resigned on 22 November 2012 and 19 December 2012 as an employee and director respectively.

10. Remuneration report (continued)

10.3 Details of compensation (continued)

The following table provides the details, 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 2012.

	Actual rewards received in the period					*Actuarial valuation of potential future rewards*			
	Short-term benefits			*Post employment benefits*		*Other long-term benefits*	*Share-based payment*		
Name	*Cash salary, leave paid and fees*	*STI cash bonus*	*Non-monetary benefits*	*Super-annuation (i)*	*Termination benefits*	*Long service and annual leave provision accrual*	*Value of ELTIP provision accrual*	*Proportion of current period rewards which are performance related*	*ELTIP accrual as percentage of total period rewards*
	$	$	$	$	$	$	$	%	%
Non-executive Directors									
BF Nazer	91,000	-	-	8,190	-	-	-	-	-
JH Nickson	50,280	-	-	50,000	-	-	-	-	-
KR Perry	81,000	-	-	7,290	-	-	-	-	-
Total	222,280	-	-	65,480	-	-	-		
Executive Directors									
RB Flynn	809,033	-	-	38,663	-	(6,826)	94,898	10.1	10.1
V Scidone	425,749	-	17,916	25,000	-	6,790	33,537	6.6	6.6
Total	1,234,782	-	17,916	63,663	-	(36)	128,435		
Other key management personnel									
AP Hockley (ii)	146,181	168,000	-	38,535	-	2,264	32,690	51.8	8.4
KS Smith (iii)	41,197	-	-	3,944	-	70	-	-	-
Total	187,378	168,000	-	42,479	-	2,334	32,690		
Total compensation key management personnel	1,644,440	168,000	17,916	171,622	-	2,298	161,125		

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

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

(ii) Resigned as Chief Financial Officer on 14 April 2012

(iii) Appointed Chief Financial Officer on 14 April 2012

10. Remuneration report (continued)

110.4 Analysis of bonuses included in compensation

Short-term incentive bonuses were awarded by the Remuneration Committee as compensation to the senior executives during the year ended 30 June 2013. These incentives were paid and approved in the year ended 30 June 2013 but are in relation to performance during the year ended 30 June 2012. For Mr R B Flynn, his payment of $62,600 represents a 21% vesting of his maximum potential short-term incentive. The short-term incentive paid to Mr K S Smith was discretionary.

10.5 Service 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 General Manager, Fasteners (left the Company's employ on 22 November 2012, resigned as a director on 19 December 2012)

- 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 the 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.

KS Smith, 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.
- The contract provides for participation in the short-term incentive plan.
- Other than for serious misconduct, termination of employment requires 8 weeks notice by the Company.

10. Remuneration report (continued)

10.6 Services from remuneration consultants

During the financial year no remuneration consultants were engaged. In the prior year the Board Remuneration Committee had engaged Gerard Daniels as remuneration consultant to the Board to review the amount and elements of compensation of the KMPs remuneration and provide any relevant recommendations.

10.7 Options over shares granted as compensation to KMPs

Options granted to Mr R B Flynn in previous years:

1- There were 350,000 '2010 options' outstanding as at the year ended 30 June 2013. These have vested and are exercisable until 28 October 2013 as detailed in Note 18 of the full financial report;

2 - In the year 500,000 '2007 options' lapsed because the vesting criteria were not met, with a value of $nil, as disclosed in Note 18 of the full financial report.

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 2013 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 83 to 93 of the full financial 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, key management personnel and senior executives

Options that have been granted, subject to vesting conditions, to date are disclosed in Note 18 of the full financial report. During the period ended 30 June 2013, no options were granted, vested or exercised. The number of options lapsed or forfeited during the year ended 30 June 2013 was 800,000 and 300,000 respectively. The value of the lapsed and forfeited options at their expiry date was $nil. There were 550,000 '2010 options' outstanding as at the date of this report which vest in the financial year 2014 with an exercise price of $2.27.

In complying with current accounting standards the Company has been forced to charge the profit and loss of Coventry Group Ltd approximately $352,000 (of which $21,000 was charged to profit and loss during the period ended 30 June 2013) related to the 2007 options. This has involved $nil cash cost to the Company and not a single share has been issued. The charge was incurred despite the fact that all the employee options relating to the charge lapsed without vesting or being exercised.

15. Non-audit services

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

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

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

16. Lead auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 97 and forms part of this directors' report.

17. Company secretary

Mr John Colli (AAICD) was appointed to the position of Company Secretary in November 1998. Mr Colli previously held the role of company secretary for the formerly 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
23 August 2013

Statement of Corporate Governance Practices

Introduction

This statement is dated 23 August 2013 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2012/13 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 resulted in 8 principles being established which came into effect from the first financial year commencing 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 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 – "Investors, Corporate Governance".

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 (KPI's). Apart from reviewing KPI's, the performance appraisal also considers leadership competencies, areas of improvement, training and development as well as career aspirations.

The board monitors the performance of the chief executive officer and his direct reports (in consultation with the chief executive officer) to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

ASXCGC Recommendation 1.3

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

CGL Practice

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

ASXCGC Principle 2

Structure the board to add value.

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

ASXCGC Recommendation 2.1

A majority of the board should be independent directors.

CGL Practice

The board presently consists of four 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 64 and 65 of the annual report.

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

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

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

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

The board may consider variations to this policy in exceptional circumstances."

During the 2012/13 financial year and as at the date of this statement the only change to the composition of the board was the resignation of Mr V Scidone as a director of the Company with effect from 19 December 2012.

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

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

The board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience as outlined on page 8 of the 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 the departure of the previous chief executive 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.

Statement of Corporate Governance Practices
(continued)

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, Corporate Governance".

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.

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

ASXCGC Recommendation 2.6

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

CGL Practice

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

ASXCGC Principle 3

Promote ethical and responsible decision making.

Companies should actively promote ethical and responsible decision making.

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 – "Investors, Corporate Governance".

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

The Company has a formal diversity policy.

The policy can be viewed on the Group's website under the tab – "Investors, Corporate Governance".

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

The Company is committed to a work environment that values, encourages, promotes and fosters fairness and diversity. A number of objectives have been established to achieve gender diversity namely as follows:

(i) ensure recruitment and selection practices reflect the principle of diversity and encourage a diverse candidate pool for appointments to senior levels;

(ii) develop mentoring programs and network opportunities;

(iii) support promotion of talented women in management positions;

(iv) achieve a diverse and skilled workforce with a view to increasing representation of women across the Company; and

(v) creating a work environment that values and utilises contributions of employees with diverse backgrounds, experiences and perspectives.

These objectives have been reviewed by the board nomination committee. Objectives (i) and (v) have been achieved and progress is continuing to be made in achieving objectives (ii) and (iv). There has been a slight increase in the overall number of women employed across the Company during the reporting period. In relation to objective (iii), during the year, the Executive Chairman conducted a number of focus group sessions with female employees at major locations across Australia to ascertain how the Company's female workforce was being managed and how to ensure that their opportunity for advancement in the Company was optimised. Initiatives raised by the focus groups included that management identify talented people and train them and to recognise achievement. 33% of the Company's professional positions are held by women representing an upward trend. The Company is continuing to look at initiatives to promote talented women. Whilst there are no women on the board or executive team, consideration will be given to any opportunities that may arise in this regard. Further details of gender diversity objectives are set out in the annual report.

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 2013, 19% of the Company's employees were women. There are no women on the Company's board or on the senior executive team. 17% of the Company's managerial or professional positions were held by women with 33% of the Company's professional positions held by women.

ASXCGC Recommendation 3.5

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

CGL Practice

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

ASXCGC Principle 4

Safeguard integrity in financial reporting.

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

Statement of Corporate Governance Practices
(continued)

ASXCGC Recommendation 4.1

The board should establish an audit committee.

CGL Practice

The board has established an audit & risk committee.

ASXCGC Recommendation 4.2

The audit committee should be structured so that it:

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

CGL Practice

The members of the audit & risk committee are:

- B F Nazer (Chairman), independent non-executive director
- J 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 8 of the 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 – "Investors, Corporate Governance".

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. The current engagement partner's 5 year period will expire on completion of the audit for the 2012/13 financial year. A replacement engagement partner has been recommended and approved by the audit & risk committee and will take effect from the commencement of the 2013/14 financial year audit.

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 – "Investors, 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.

Statement of Corporate Governance Practices
(continued)

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

The Company has established a policy for the oversight and management of material business risks. The policy titled Risk Management Policy and Methodology can be viewed on the Group's website under the tab – "Investors, Corporate Governance".

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

ASXCGC Recommendation 7.2

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

CGL Practice

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

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.

The Group risk register is reviewed annually by the audit & risk committee . In addition risk is a standing agenda item at each board and monthly senior management team meeting.

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.

Statement of Corporate Governance Practices
(continued)

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 – "Investors, Corporate Governance".

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
- 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
- B F Nazer, independent non-executive director (appointed a member on 21.09.2012)

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 75 to 81 of the annual report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the remuneration report on pages 75 to 81 of the 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 75 to 81, 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 2013 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 2013 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

R B Flynn
Executive Chairman

Perth
23 August 2013

Lead Auditor's Independence Declaration

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

To: the directors of Coventry Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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
23 August 2013

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Coventry Group Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independent Auditor's Report
(continued)

Independence

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

Auditor's opinion

In our opinion:

a. the financial report of the Group is 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 2013 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the remuneration report

We have audited the Remuneration Report included in Note 10 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Denise McComish

Partner

Perth

23 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder Information
as at 30 August 2013

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares Number	% of Total
1. RBC Investor Services Australia Nominees Pty Limited (BK Cust A/C)	8,269,978	21.90
2. Citicorp Nominees Pty Limited	1,700,364	4.50
3. BNP Paribus Noms Pty Ltd (DRP)	1,613,568	4.27
4. Swanwall Holdings Pty Ltd	1,408,535	3.73
5. National Nominees Limited	1,392,989	3.69
6. Dorsett Investments Pty Ltd	1,356,660	3.59
7. HSBC Custody Nominees (Australia) Limited	1,326,282	3.51
8. Anne Kyle	1,000,000	2.65
9. Sandhurst Trustees Ltd (SISF A/C)	857,672	2.27
10. JP Morgan Nominees Australia Limited	842,636	2.23
11. Devadius Pty Ltd	836,619	2.22
12. Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	705,184	1.87
13. Forum Investments Pty Ltd	372,539	0.99
14. Clifford Maxwell Kyle	331,208	0.88
15. Buduva Pty Ltd	325,000	0.86
16. Geoffrey Michael Kyle	320,000	0.85
17. FFSF Asset Management Pty Ltd (FF Super Fund A/C)	250,246	0.66
18. Joan Merle Smith	234,427	0.62
19. Pinemont Plantations Pty Ltd	216,942	0.57
20. Judith Anne Smirk	206,663	0.55
	23,567,512	62.41

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	1,960	52.58	675,947	1.79
1,001 to 5,000	1,146	30.74	2,980,857	7.89
5,001 to 10,000	319	8.56	2,357,600	6.24
10,001 to 100,000	273	7.32	6,799,260	18.01
100,001 and over	30	0.80	24,946,780	66.07
	3,728	100.00	37,760,444	100.00
Unmarketable parcel of shares	400	10.73	24,771	0.07

Shareholder Information
as at 30 August 2013 (continued)

SUBSTANTIAL SHAREHOLDERS
The Company's register of substantial shareholders showed the following particulars as at 30 August 2013.

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	3,329,674	15.06.2012
Wilson Asset Management Group	2,518,739	13.06.2013

UNQUOTED EQUITY SECURITIES

	Number of Options	Number of Holders
Options issued under the Executive Long Term Incentive Plan		
Executive Director Options		
- options expiring on 28 October 2013	350,000	1
Executive Options		
- options expiring on 16 September 2013	150,000	1
- options expiring on 30 September 2013	50,000	1

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
John Colli

Bankers
Australian and New Zealand Banking Group Limited

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.